

Notice of Meeting and Explanatory Memorandum

Commonwealth Property Office Fund

ISSUED BY:
Commonwealth Managed Investments Limited
ABN 33 084 098 180
Responsible Entity of Commonwealth Property Office Fund

This Notice of Meeting and Explanatory Memorandum is dated 30 July 2002

THIS DOCUMENT IS IMPORTANT

This document is important and requires your immediate attention. If you are in doubt as to the course of action that you should follow, you should consult your stockbroker, accountant, solicitor or other professional adviser immediately.

(Not guaranteed by the Commonwealth Bank of Australia)



Colonial
First State Property

key dates¹

Tuesday 30 July 2002	Announcement Date
Sunday 1 September 2002 (11:00am EST) ²	Last date for lodgement of proxies
Monday 2 September 2002 (5:00pm EST)	Record date for voting entitlements
Tuesday 3 September 2002 (whole day)	Trading halt of CPA, CFT and GAN units
Tuesday 3 September 2002 (11:00am EST)	Meeting of Unitholders
Friday 6 September 2002	Completion date ³
On or about Friday 6 September 2002	Allotment of CPA units
On or about Friday 13 September 2002	ASX quotation of CPA units ⁴

Note:

¹ Dates are indicative only and may be subject to change.

² In order to ensure that the responsible entity receives mailed proxy forms before this time, please ensure that forms arrive on or before last mail, Friday 30 August 2002.

³ The Proposal will only be implemented if resolutions at the meetings of unitholders of Commonwealth Property Office Fund, Colonial First State Property Trust Group and Gandel Retail Trust are approved and the entities involved in the Proposal are satisfied that it can proceed.

⁴ Conditional on ASX approval.

Unitholder enquiries

If you have any questions about voting or proxy forms please contact ASX Perpetual Registrars Limited on 1800 500 710.

If you have any questions about any other aspects of the Proposal or meeting, please contact the CFS Investor Service Centre on 1300 360 636 (toll free), send an email to CPOFeedback@colonialfirststate.com.au or consult your financial or other professional adviser.

Important notice – This is an important document that needs your urgent attention. Please read the information in this booklet carefully. It is important that you either attend the Meeting of Unitholders or complete and lodge the enclosed proxy form. If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant or other professional adviser without delay. Please refer to the Glossary in Section 11 for the definition of terms used in this Notice of Meeting and Explanatory Memorandum.

DISCLAIMER

Commonwealth Bank of Australia ABN 48 123 123 124 and its subsidiaries do not guarantee or in any way stand behind the performance of the Commonwealth Property Office Fund or the repayments of capital by Commonwealth Property Office Fund. Investments in the Commonwealth Property Office Fund are not deposits with or other liabilities of Commonwealth Bank of Australia or its subsidiaries. Investment-type products are subject to investment risk including loss of income and principal invested.

The information contained in this Explanatory Memorandum ('the Information') does not constitute a securities recommendation. It has not been prepared taking into account your particular investment objectives, financial situation and particular needs. You should assess whether it is appropriate in the light of your own circumstances before acting on it. If you are unsure you should seek the help of an adviser.

While all reasonable care has been taken in relation to the preparation and collation of the Information no person, including Commonwealth Managed Investments Limited or any other member of the Commonwealth Bank of Australia group of companies, accepts responsibility for any loss or damage howsoever occurring resulting from the use or reliance on the Information by any person. Past performance is not indicative of future performance and no guarantee of future returns is implied or given.

chairman's letter

MJ Ullmer
Chairman
Commonwealth Managed
Investments Limited



30 July 2002

Dear Unitholder

Commonwealth Managed Investments Limited ('CMIL'), the responsible entity of Commonwealth Property Office Fund ('CPA'), is pleased to announce a proposal to acquire units in three Colonial First State Property Trust Group ('CFT') underlying trusts which collectively hold \$1,177 million of office and industrial assets.

This proposed acquisition is in line with the CPA investment strategy of enhancing Unitholder value. The proposal, if approved at a meeting of Unitholders, will mean CPA will own a significantly larger and high quality pool of assets, provide increased diversification and an opportunity, via the subsequent divestment of the industrial and High Tech Industrial ('HTI') office portfolios, to further enhance the portfolio.

It is also proposed to change the management fee structure from a fee based solely on assets under management to a fee structure which also includes a performance-based component which reinforces the alignment of interest between CPA Unitholders and CMIL. This brings CPA into line with the overall Colonial First State Property Group philosophy of reinforcing the alignment of interest between investor and manager.

The commitment to a high standard of corporate governance and transparency of contractual arrangements, policies and procedures are maintained and reinforced as fundamental business principles of the Colonial First State Property Group under the proposed arrangements.

The Proposal is part of an agreement between the Colonial First State Property Group and the Gandel Group which will combine the expertise of two of Australia's leading property groups to create an innovative and investor aligned funds management and property management structure.

Acquisition of CFT's office, industrial and HTI office assets

The Proposal, if implemented, will involve CPA acquiring all the units in the Colonial First State Commercial Property Trust, Colonial First State Development Trust and the Colonial First State Industrial Property Trust.

By acquiring these units CPA will effectively acquire the office, industrial and HTI office assets of CFT. This method of acquisition provides a mechanism for CPA to acquire a large, quality portfolio of assets with lower transaction costs when compared to a direct property acquisition.

The assets to be acquired include:

- 10 office properties, representing a total book value of \$726.0 million, located in five states across Australia;
- 17 industrial properties, representing a total book value of \$367.1 million, located in three states across Australia; and
- five HTI office properties, representing a total book value of \$83.9 million, located on the north shore of Sydney.

These assets are acquired as a result of CFT unitholders exchanging their units in the office, development and industrial trusts for units in CPA.

It is the intention of CMIL that CPA remains a sector specific office trust. To achieve this objective CPA will divest over time approximately \$451.0 million of non-core assets (the industrial and HTI office assets) obtained as part of the Proposal and reinvest the proceeds into office assets.

Implementation of new performance-linked management fee structure

If the Proposal is implemented and Resolution 2 is passed, a new management fee structure will be introduced which reduces the base management fee payable by CPA while providing CMIL with the opportunity to receive a capped performance fee if CPA outperforms its peers. CMIL believes that this will provide a significant reinforcement of the alignment of interests between CPA Unitholders and CMIL.

chairman's letter (continued)

Conditions

The Proposal will only be implemented if:

- the first resolution to be put to CPA Unitholders at a meeting to be held on 3 September 2002 is passed;
- the necessary approvals are received at meetings of both CFT and Gandel Retail Trust ('GAN') unitholders to be held on the same day.

Independent Expert's report

CMIL has engaged BDO Corporate Finance to prepare an Independent Expert's report to assist CPA Unitholders in assessing the merits of the Proposal.

BDO Corporate Finance has concluded that:

'...the Proposal is fair and reasonable and in the best interests of the Unitholders.'

A full copy of the Independent Expert's report is contained in Section 8 of this Explanatory Memorandum.

Recommendation

In total, CPA Unitholders are required to vote on four separate Resolutions. These include approval of the Proposal, approval of a new management fee structure for CMIL, ratification of a previous issue of units (for the purpose of refreshing placement capacity) and amending the CPA Constitution so that certain future issues of units (detailed in the Notice of Meeting) do not count for the purpose of determining placement capacity.

While the Proposal is not dependent on the passing of Resolutions 2, 3 and 4, CMIL recommends that CPA Unitholders vote in favour of these Resolutions.

An evaluation of the Proposal including benefits and disadvantages is set out in detail in Sections 1 and 2 of this Explanatory Memorandum. The Board of CMIL, the responsible entity, unanimously agrees that the Proposal is fair and reasonable and in the best interests of CPA Unitholders.



MJ Ullmer

Chairman

Commonwealth Managed Investments Limited

steps for investors

What do I need to do?

This section sets out the steps that Unitholders in Commonwealth Property Office Fund ('CPA') should take.

STEP 1

Read this Notice of Meeting and Explanatory Memorandum

The Notice of Meeting (see Section 7) sets out the Resolutions upon which CPA Unitholders are being asked to vote. You should read the Notice of Meeting and Explanatory Memorandum and decide which way you will vote on the Resolutions. If you are in any doubt as to the course of action to be taken you should contact your stockbroker, solicitor, accountant or other professional adviser without delay.

STEP 2

Vote on the Resolutions

- Vote in person at the Meeting of Unitholders to be held on 3 September 2002; or
- vote by proxy on the yellow form.

You are encouraged to attend and vote at the Meeting of Unitholders. Details of the Meeting of Unitholders are as follows:

Time: 11:00am

Date: 3 September 2002

**Place: The Ballroom
Sydney Convention
and Exhibition Centre
Level 2,
Convention Centre South,
Darling Harbour, Sydney**

If you are unable to attend the Meeting of Unitholders, you may complete the personalised proxy form enclosed.

On the proxy form you may nominate someone to vote on your behalf at the Meeting of Unitholders and, if you wish, you may direct that person how to vote.

If you appoint the Chairman as your proxy, the Chairman will vote as directed or, if no direction is given, will vote in favour of the Resolutions. Section 7 outlines the voting and eligibility requirements.

Proxy forms must be received no later than 11:00am (EST) on 1 September 2002 and should be sent, in the envelope provided, to the Unit Registry:

ASX Perpetual Registrars Limited
Locked Bag A14
Sydney South NSW 1232

or faxed to: (02) 8280 7646.

Resolutions

In total, CPA Unitholders are required to vote on four separate Resolutions. These four Resolutions are detailed in the Notice of Meeting in Section 7. To vote in favour of the Resolutions (as recommended by Commonwealth Managed Investments Limited ('CMIL') you should attend the Meeting of Unitholders or complete the proxy form as set out below:

Resolution 1 – Approval of the Proposal and issue of CPA units

For Against

Resolution 2 – Amend the Constitution – New responsible entity management fee structure

For Against

Resolution 3 – Ratification of previous issues

For Against

Resolution 4 – Amend the Constitution – Placements

For Against

The responsible entity recommends that you vote in favour of all the Resolutions.

RSVP

If you intend to come to the Meeting of Unitholders, please RSVP by 30 August 2002 by calling **1300 360 636**.

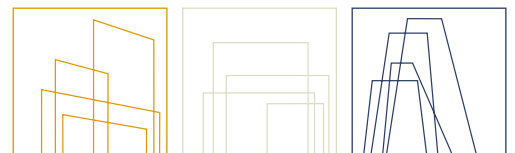
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contents

1. The Proposal 5
 2. Impact of the Proposal 8
 3. Non-core asset sale program 12
 4. Management team 14
 5. Details on the new assets 17
 6. Financial information 23
 7. Notice of Meeting 29
 8. Independent Expert's report 33
 9. Investigating Accountant's report 91
 10. Additional information 94
 11. Glossary 100
- Directory Inside back cover



1. the proposal

Opportunity for CPA Unitholders

Acquisition of Colonial First State Property Trust Group ('CFT') office, industrial and High Tech Industrial ('HTI') office assets

Commonwealth Managed Investments Limited ('CMIL'), the responsible entity of CPA, is proposing to:

- acquire all of the units in each of the Colonial First State Commercial Property Trust, the Colonial First State Development Trust and the Colonial First State Industrial Property Trust (which hold the office, industrial and HTI office assets of CFT); and
- issue 1.19 CPA units for every CFT unit held. This translates to CPA paying a premium to property valuation of 0.6%. A total of approximately 740.3 million CPA units will be issued.

At the same time, Gandel Retail Trust ('GAN') will acquire all of the units in the Colonial First State Retail Property Trust (the retail assets) and will issue 0.65 GAN units to CFT unitholders for each CFT unit held. A total of approximately 404.4 million GAN units will be issued.

If the Proposal is implemented, CPA will effectively acquire control of the following portfolio:

- 10 office properties with a total book value of \$726.0 million, which have been identified as core assets;
- 17 industrial properties with a total book value of \$367.1 million, which have been identified as non-core assets; and
- five HTI office properties located on the north shore of Sydney, NSW with a total book value of approximately \$83.9 million, which have been identified as non-core assets.

In addition CPA will assume approximately \$290.5 million in debt.

It is CPA's intention that the non-core assets will be either divested or swapped (detailed further in Section 3), providing a future source of funds to acquire office property.

The Proposal ensures that unitholders interests are protected in that the resultant Colonial First State Property Group listed funds are not competing with one another in terms of potential acquisitions. This simplifies the business model, reduces potential conflicts between funds and enhances the deal pipeline for the funds.

New performance-linked management fee structure

If the Proposal is implemented and Resolution 2 is passed, CMIL will introduce a new management fee structure. The proposed fee structure has two components: a fixed base fee and a capped performance fee. This new structure reduces the existing base management fee but provides the opportunity for CMIL to receive an additional performance-linked fee if CPA's total return over each consecutive six-month performance measurement period is higher than the S&P/ASX 200 Commercial Property Accumulation Index (excluding CPA).

This structure is in line with industry best practice and aligns the interests of CMIL with CPA Unitholders.

The new fee structure would begin as of 1 July 2002 with the first performance period ending 31 December 2002.

Base fee

The base management fee will be reduced to 0.45% per annum of gross assets from the existing 0.55% per annum. The increase in EPU and DPU in the forecast period as a result of the reduced base fee is approximately 0.08 cents per unit in each six-month period.

Performance fee

The performance fee will be calculated in relation to each six-month period commencing 1 July and 1 January. It will only be paid to CMIL if CPA's total return performance (income and capital appreciation) exceeds the S&P/ASX 200 Commercial Property Accumulation Index (excluding CPA), over the performance period.

The performance fee will have a tiered structure. CMIL will be remunerated, for the performance component of the management fee, through the issue of CPA units. In certain limited circumstances CMIL will receive cash rather than units. The CPA units issued will have a total value equal to:

- 5% of the first 2% per annum of outperformance over the six-monthly performance period compared to the S&P/ASX 200 Commercial Property Accumulation Index (excluding CPA); and
- an additional 15% of the outperformance in excess of 2% per annum over the six-monthly performance period compared to the S&P/ASX 200 Commercial Property Accumulation Index (excluding CPA).

Cap

The performance fee will be capped at 0.30% per annum (0.15% per six months) of gross assets for any given performance period. As a result CMIL cannot receive more than 0.75% per annum. Any excess performance above this is carried forward to the next performance period and is taken into account in calculating the total return for the next performance period.

1. the proposal (continued)

As a result of the new base fee being lower than CPA's existing management fee remuneration (expressed as a percentage), CMIL will receive a lower fee from the management of CPA as compared to the current fee structure unless CPA outperforms, but may receive a higher fee if CPA outperforms the nominated benchmark.

Negative performance

Importantly, the measurement of outperformance will be assessed on a cumulative basis, meaning that any underperformance is carried forward and needs to be 'earned back' before CMIL is entitled to performance fees.

Payment of fee

The CPA units issued as part of the performance fee component will be issued at the 10 day Volume Weighted Average Price ('VWAP') post CPA's record date for distributions or at a price equal to the net tangible asset backing per CPA unit, whichever is greater. Through the issue of CPA units as payment to CMIL for outperformance, a further alignment of interests between CMIL and CPA Unitholders is created.

Fee structure summary

The implementation of this new fee structure provides a significant incentive for CMIL, as under the new fee CPA will need to achieve consistent outperformance for CMIL to maintain the fee levels in place prior to the Proposal. It also encourages CMIL to continue to work towards CPA outperformance on an ongoing basis for Unitholders.

Ranking

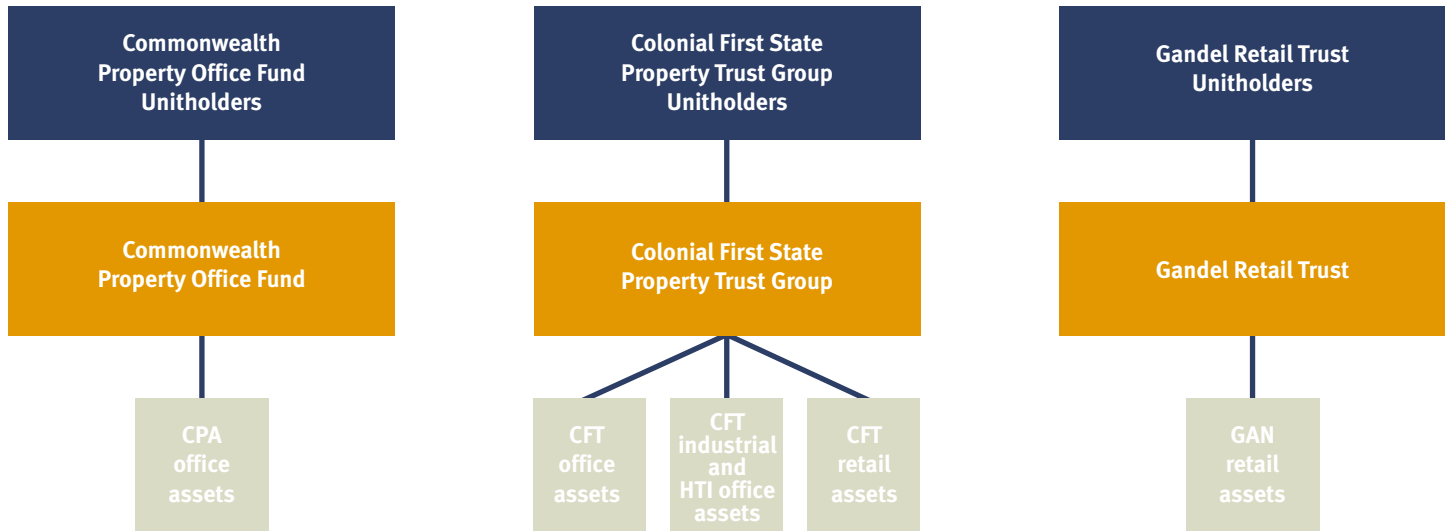
If the Proposal is implemented, CPA units are expected to be allotted on or about 6 September 2002 to CFT unitholders and will rank for distributions from 1 July 2002.

Conditionality

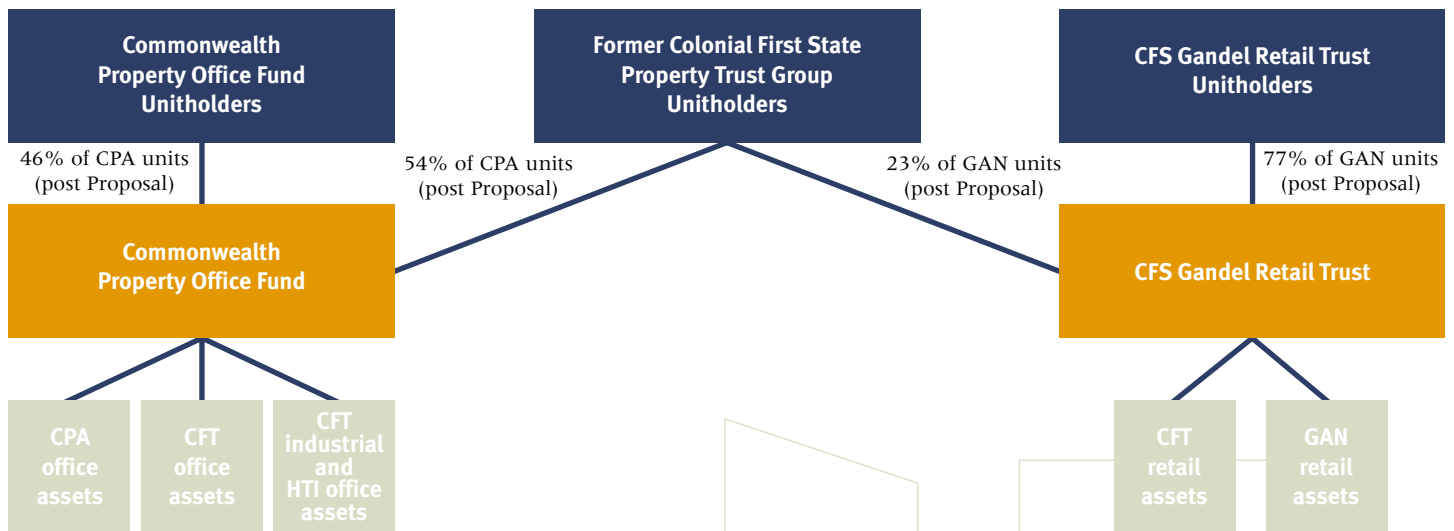
The Proposal is conditional on:

- the passing of Resolution 1 at a meeting of CPA Unitholders to be held on 3 September 2002; and
- the necessary approval being received at meetings of both CFT and GAN unitholders to be held on the same day.

The current position



Position after the Proposal



Note: The office, industrial, HTI office and retail assets owned by CFT are held through four separate trusts, Colonial First State Commercial Property Trust, Colonial First State Development Trust, Colonial First State Industrial Property Trust and Colonial First State Retail Property Trust.

If the Proposal is implemented:

- CPA will acquire all of the units in Colonial First State Commercial Property Trust, Colonial First State Development Trust and Colonial First State Industrial Property Trust (the office, industrial and HTI office assets respectively); and
- GAN will acquire all of the units in Colonial First State Retail Property Trust (the retail assets).

2. impact of the proposal

Benefits of the Proposal

Increased earnings per unit ('EPU')

Following the implementation of the Proposal, the forecast earnings of CPA are expected to increase by 4.0% from 9.29 cents per unit to 9.66 cents per unit for the 12 months to June 2003 and increase by 8.4% from 4.50 cents per unit to 4.88 cents per unit for the six months to December 2003.

Increased distributions per unit ('DPU')

Following the implementation of the Proposal, the forecast distributions of CPA are expected to increase 1.8% from 9.09 cents per unit to 9.25 cents per unit for the 12 months to June 2003 and increase 1.7% from 4.59 cents per unit to 4.67 cents per unit for the six months to December 2003.

Increase in retained earnings

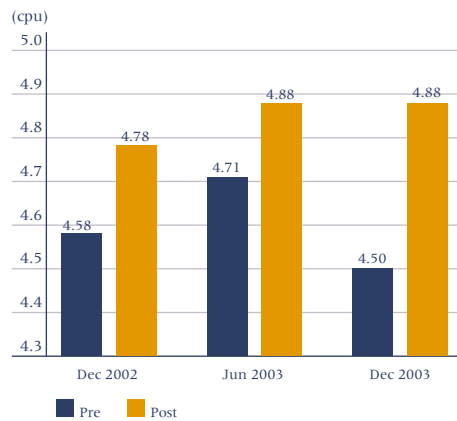
The forecast distributions reflect the accretive impact of the Proposal with regard to the core assets but only a portion of the earnings accretion from holding the non-core industrial and HTI office portfolios.

CMIL forecasts that if the non-core assets are held for the whole forecast period, the total income accrued as a result of the passing yield premium is \$12.1 million. This equates to 0.9 cpu. Of this, approximately \$7.6 million (0.6 cpu) will be retained as at 31 December 2003.

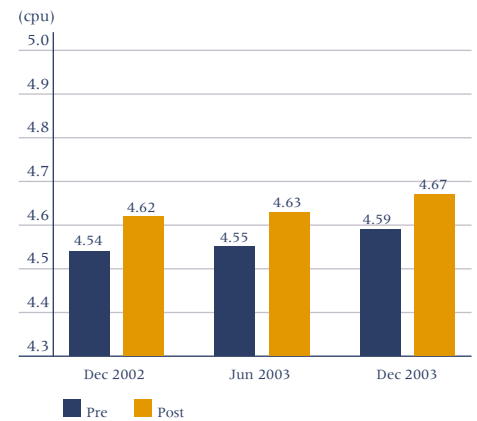
At the end of the forecast period a total of \$9.0 million will be held in retained earnings. This equates to 0.7 cpu.

Further details on the retained earnings benefit and divestment of non-core assets is included in Section 3.

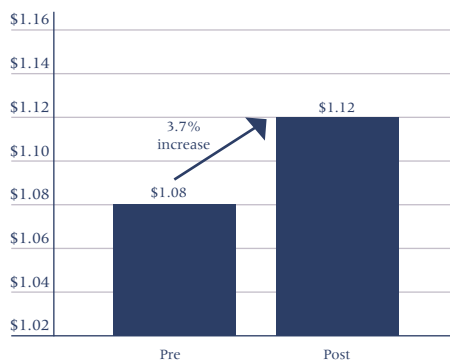
EPU impact (pre and post)



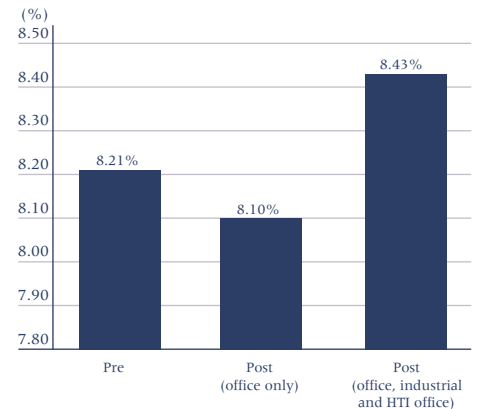
DPU impact (pre and post)



NTA per unit (pre and post)



Weighted average capitalisation rates (pre and post)



NTA per unit impact

On implementation of the Proposal, NTA per CPA unit increases 3.7% from \$1.08 to \$1.12 per unit.

Enhanced balance sheet strength

The enhanced balance sheet after implementation of the Proposal is expected to provide the advantages of a lower cost of capital, increased acquisition capacity and, as a consequence, improve CPA's competitive position against its peers.

Gearing

The gearing ratio (debt to total assets) of CPA remains at approximately 25% as at 30 June 2002. This remains below the listed property trust ('LPT') sector average of 27.3% and within CMIL's preferred gearing range of 20-30%.

Quality of the portfolio

After the Proposal is implemented and the non-core assets have been divested, CPA's weighted average capitalisation rate will decrease from the current 8.21% to 8.10%. However, while CPA is holding the non-core assets (awaiting divestment), the weighted average capitalisation rate is slightly higher at 8.43%.

Improved tenant diversification

The Proposal increases the number of office properties in CPA from 12 to 22 thereby increasing tenant diversification. Exposure to the Commonwealth Bank of Australia falls from 40% to 28% (by income), reducing exposure to any single tenant.

Exposure to tenants with a corporate debt rating of Aa3 and above (including the Commonwealth Bank of Australia) will be greater than 46%.

Details of the top 10 tenants are listed below.

Top 10 tenants (by income post Proposal)

Commonwealth Bank of Australia	28.1%
Western Australian Government	4.4%
Federal Government	4.4%
Qantas Airways	3.8%
State Rail Authority NSW	3.4%
BNP Paribas	2.8%
South Australian Government	2.0%
JP Morgan	1.9%
TXU Electricity	1.7%
ACT Government	1.6%

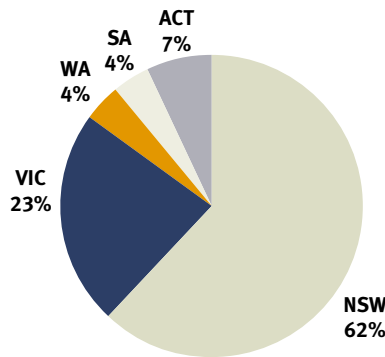
Reduction in asset specific risk

If the Proposal is implemented no single asset will account for more than 10% of CPA by book value, reducing asset specific risk.

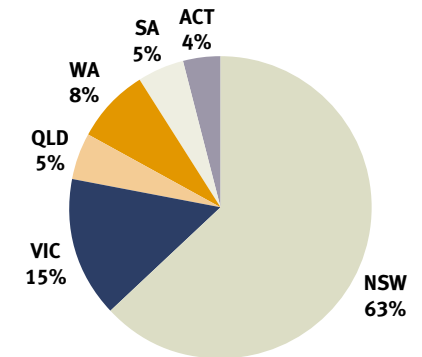
Improved geographic diversification

The Proposal will provide investors with a well-diversified core asset portfolio comprising a 63% and 15% weighting to the New South Wales and Victorian markets respectively. In addition, CPA will have exposure to the Queensland, Western Australian and South Australian markets.

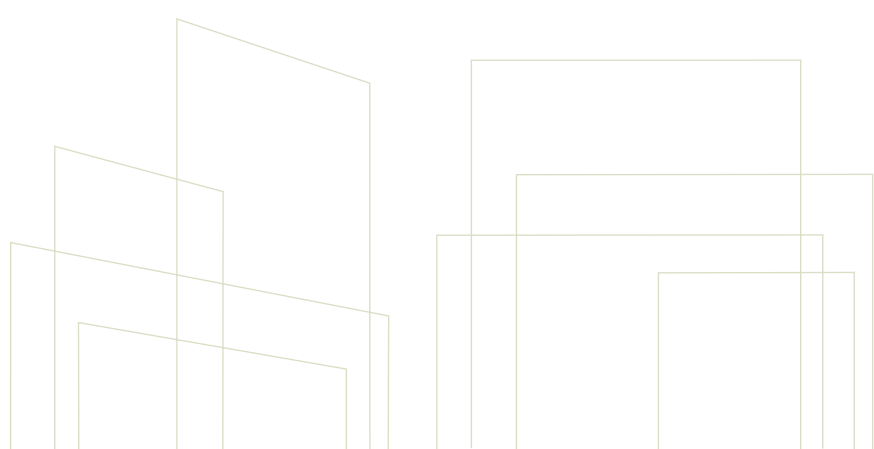
Geographic diversification by book value (pre Proposal)



Geographic diversification by book value (post Proposal)



Note: Both pre and post Proposal graphs exclude the \$451.0 million in non-core assets earmarked for disposal.



2. impact of the proposal (continued)

Core assets

Overview of combined portfolio

	Date built	NLA (sqm)	Owned (%)	Book value ¹ (June 2002) (\$m)	Valuation (\$m)	Date of valuation	Cap rate (%)	Disc rate (%)	Term yield (%)
CPA office assets									
385 Bourke Street, Melbourne, VIC	1983	59,876	100	205.0	205.0	30 Jun 2002	8.25	10.50	8.75
AAP Centre, Sydney, NSW	1983	46,802	50	141.1	140.0	30 Sep 2001	7.00	10.00	7.25
175 Pitt Street, Sydney, NSW	1975	26,019	100	145.0	145.0	30 Jun 2002	8.25	10.50	9.00
120 Pitt Street, Sydney, NSW	1916	24,260	100	120.4	119.2	31 Dec 2001	7.25	10.50	7.75
36-46 George Street, Burwood, NSW	1992	14,519	100	44.0	43.8	31 Mar 2002	9.50	11.00	9.75
201 Kent Street, Sydney, NSW	1988	41,350	25	58.7	54.3	31 Dec 2001	8.00	10.25	8.75
Finlay Crisp Centre, Canberra, ACT	1986	28,576	100	63.7	61.6	31 Mar 2002	10.0-10.5	10.75-11.0	10.5-11.0
475 Victoria Avenue, Chatswood, NSW	1989	25,112	33	44.8	42.0	10 Aug 2001	7.75	10.75	8.50
100 King William Street, Adelaide, SA	1983	19,518	100	32.0	32.0	30 Jun 2002	10.50	11.00	11.00
42-46 Colin Street, West Perth, WA ²	2002	8,817	100	28.6	28.2	1 Oct 2002	8.00	10.50	8.50
53 Ord Street, West Perth, WA ²	2002	6,822	100	30.1	29.7	2 Dec 2002	8.00	10.50	8.50
14-16 Parliament Place, West Perth, WA ²	2002	3,050	100	11.0	10.8	1 Nov 2002	8.00	10.50	8.50
CFT office assets									
60 Castlereagh Street, Sydney, NSW	1999	26,988	100	190.0	190.0	30 Jun 2002	7.00	10.00	7.25
56 Pitt Street, Sydney, NSW ³	1998	20,705	100	136.2	135.5	30 Sep 2001	7.50	10.25	8.75
197 St Georges Terrace, Perth, WA	1983	26,307	100	71.2	71.0	31 Dec 2001	7.90	11.00	8.50
300 Queen Street, Brisbane, QLD	1984	19,308	100	72.7	70.0	30 Sep 2001	8.00	11.00	8.25
14-18 Lee Street, Sydney, NSW	2000	14,418	100	56.5	56.5	30 Jun 2002	8.75	11.00	9.00
45 Pirie Street, Adelaide, SA	1989	19,809	100	55.4	54.7	31 Dec 2001	9.10	10.50	10.00
150 George Street, Parramatta, NSW	1993	21,964	100	81.0	81.0	30 Jun 2002	8.50	10.75	9.25
Brandon Office Park, Glen Waverley, VIC	1988	17,092	100	40.5	40.5	30 Jun 2002	9.75	10.25	10.00
1 Mill Street, Perth, WA	1986	6,273	100	11.5	11.5	31 Dec 2001	9.50	12.00	9.75
5 Mill Street, Perth, WA	1972	7,096	100	11.0	10.8	31 Dec 2001	9.50	12.00	9.75
Total core assets		484,681⁵		1,650.4	1,633.1		8.10	10.50	8.62
Non-core assets									
Funds for reinvestment ⁴				451.0					
Total				2,101.4					

¹ Estimated book values as at 30 June 2002 (apart from three West Perth properties as stated in 2 below).

² Book values and valuation as at completion of each development.

³ Extensively refurbished in 1998, property built circa 1960.

⁴ It is intended that approximately \$451.0 million of funds from the divestment of non-core industrial and HTI office assets will be reinvested into office assets post December 2003.

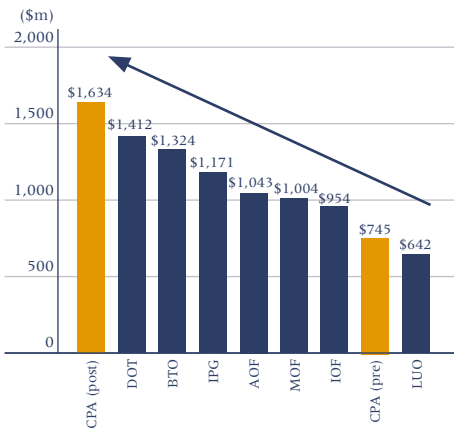
⁵ NLA represents 100% ownership.

Increased market capitalisation and index weighting

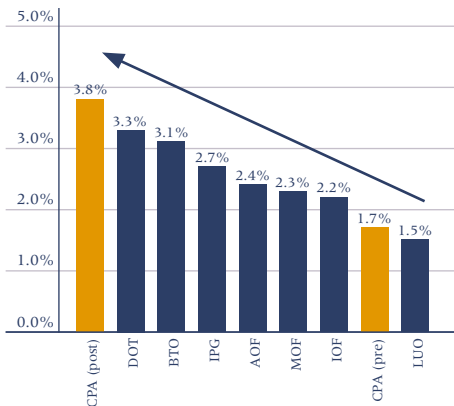
CPA's market capitalisation and index weighting will increase as a result of the Proposal being implemented.

If the Proposal is implemented, CPA will be the seventh largest LPT and the largest trust in the office sub-sector in Australia with an estimated market capitalisation of approximately \$1.6 billion (based on the closing price of \$1.20 per unit on 26 July 2002).

Market capitalisation (office peer group)



S&P/ASX 200 index weighting (office peer group)



Inclusion in Morgan Stanley Capital Index ('MSCI')

The MSCI indices use an index construction and maintenance methodology which aims to ensure an accurate representation of each country's underlying industry group distribution and market capitalisation.

If the Proposal is implemented it is likely that CPA will enter the MSCI (given it will represent the largest office trust in the LPT index in Australia).

The MSCI indices are widely used as benchmarks for global portfolio managers, and if CPA does achieve MSCI inclusion, this may result in additional local and international demand for CPA units.

Management team

CPA's expanded management team will bring a diverse range of property management and investment expertise to the management of the combined CPA portfolio. The role of each of the key members of CPA's management team is described in Section 4 of the Explanatory Memorandum.

Arguments against the Proposal

Lease expiry profile

Upon implementation of the Proposal, CPA's weighted average lease term to expiry (by income) decreases from 5.2 to 4.8 years (not including the non-core assets). This remains in line with the current LPT office sub-sector average of 5.1 years. Prior to sale of the non-core assets the weighted average lease term to expiry is 4.4 years.

Over-renting

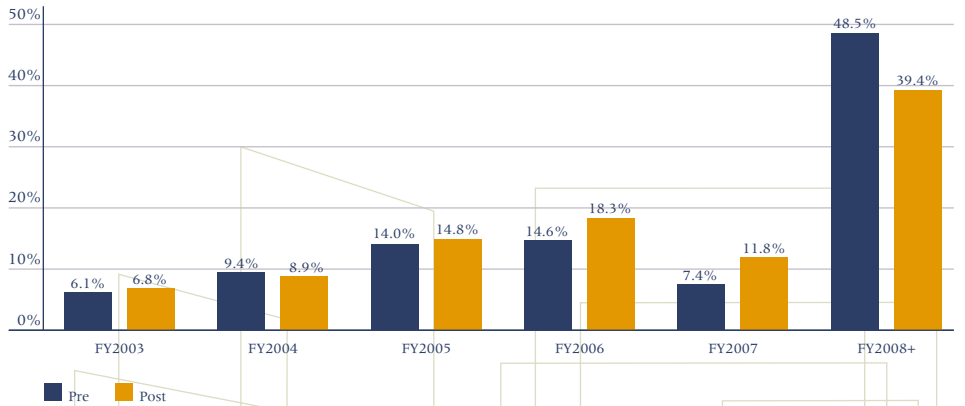
After implementation of the Proposal, CPA's weighted average over-renting position (not including the non-core assets) will increase from 0.1% to 1.4%. Prior to sale of the non-core assets the weighted average over-renting is 2.8%.

Risks associated with the non-core assets

There are some risks associated with the non-core industrial and HTI office assets.

These disadvantages and risk factors, along with the benefits of acquiring control of the non-core assets, are detailed in Section 3.

Lease expiry profile of core assets (by income)



3. non-core asset sale program

The industrial and HTI office assets to be effectively acquired under the Proposal have been identified as non-core assets and it is the intention of CMIL that, over time, these be divested.

Except where indicated, the forecasts contained in this Explanatory Memorandum assume that the divestment program of the non-core assets does not occur during the forecast period (from July 2002 to December 2003). The exact timing of any sale will depend on CMIL's view as to the best interests of CPA Unitholders at the time.

Non-core assets being acquired

	Date built	GLA (sqm)	Owned (%)	Book value ¹ (June 2002) (\$m)	Valuation (\$m)	Date of valuation	Cap rate (%)	Disc rate (%)	Term yield (%)
Industrial									
Alexandria Industrial Estate, Alexandria, NSW	1960-1985	43,539	100	46.0	46.0	31 May 2002	9.25	11.00	10.00
Boundary Industrial Park, Coopers Plains, QLD	1980-1985	35,108	100	18.4	18.4	31 Dec 2001	11.15	12.50	11.50
Bridge Road, Keysborough, VIC	1994	6,875	100	7.8	7.8	31 Oct 2001	11.37	10.75	13.50
Brodie Industrial Park, Rydalmere, NSW	1983	19,816	100	19.9	19.8	30 Sep 2001	9.75	11.50	10.25
Enterprise Place, Tingalpa, QLD	1996	11,564	100	11.4	11.4	30 Sep 2001	10.00	11.50	10.50
Fitzgerald Road, Laverton North, VIC	1996	18,600	100	11.1	11.1	31 Oct 2001	10.00	11.00	10.75
Gateway Estate, Arndell Park, NSW	1999	27,968	100	30.4	30.4	31 Jul 2001	9.00	11.50	9.75
Mars Road, Lane Cove, NSW	1985	6,794	100	10.7	10.7	31 Aug 2001	9.25	11.25	9.75
Montague Road, West End, QLD ²	1994	5,995	100	7.7	7.7	30 Jun 2002	11.00	11.50	12.00
Old Geelong Road, Hoppers Crossing, VIC	1990	52,612	100	36.5	36.5	31 Oct 2001	9.75	10.50	10.75
O'Riordan Street, Alexandria, NSW	1995	6,097	100	9.0	9.0	30 Nov 2001	9.00	10.75	9.25
Pavesi Street, Smithfield, NSW	1997	7,527	100	8.0	8.0	31 Jul 2001	9.50	11.50	9.75
Roberts Road, Chullora, NSW	1994	32,974	100	30.2	30.2	31 Aug 2001	9.50	11.25	10.00
Slough Business Park, Silverwater, NSW	1986	71,143	100	84.1	84.0	30 Nov 2001	9.50	11.25	10.00
Smithfield Industrial Estate Stage 1, Smithfield, NSW	1987	16,788	100	12.65	12.65	30 Jun 2002	10.25	11.50	11.25
Smithfield Industrial Estate Stage 2, Smithfield, NSW	1990	14,907	100	11.8	11.8	30 Jun 2002	10.00	11.50	11.00
Turner Street, Port Melbourne, VIC	1994	11,820	100	11.5	11.5	31 Oct 2001	9.25	11.00	10.00
HTI office									
Eastern Valley Way, Chatswood, NSW	1988	5,237	100	8.2	8.2	31 Aug 2001	10.25	12.00	10.75
Epping Road and Lane Cove Road, Lane Cove, NSW	1983	12,442	100	24.3	24.3	30 Jun 2002	9.55	11.25	10.05
Forestridge Business Park, Frenchs Forest, NSW	1988	17,742	100	30.4	30.4	31 Aug 2001	10.00	11.75	10.50
Lyonpark Road, North Ryde, NSW	1990	7,500	100	18.1	18.1	30 Jun 2002	9.25	11.00	9.75
Giffnock Avenue, North Ryde, NSW ³	N/A	N/A	100	2.9	2.9	30 Jun 2002	N/A	N/A	N/A
Total non-core assets		433,048		451.0	450.9		9.61	11.21	10.25

Note: Totals may not add due to rounding.

¹ Estimated book values as at 30 June 2002.

² Substantially refurbished in 1994.

³ Development site.

Benefits to CPA Unitholders

Yield premium and retained earnings benefits

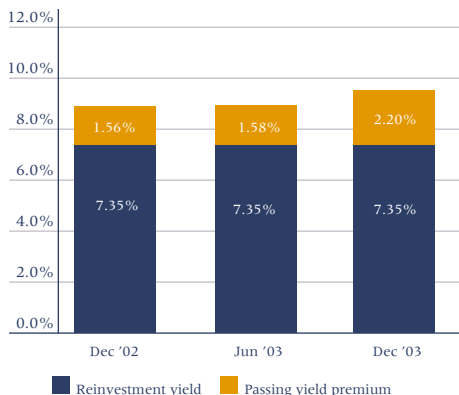
The forecast distributions reflect the accretive impact of the Proposal with regard to the core assets and only a portion of the earnings accretion from holding the non-core industrial and HTI office portfolios. It is proposed to retain part of these additional earnings to enable CMIL to sell the higher yielding non-core assets and reinvest the sale proceeds into lower yielding office property without causing dilution to distributions at that time.

This reinvestment is assumed to be completed at an initial yield (net of all acquisition costs) of 7.35%.

This reinvestment yield assumption enables CMIL to reinvest the sale proceeds in office properties at a weighted average capitalisation rate below that of the merged portfolio with no dilution to distributions. This should result, over time, in an improvement in the quality of the portfolio.

The actual passing yield from the industrial and HTI office assets over the forecast period is approximately 9.13% (compared to the 7.35% estimated reinvestment yield).

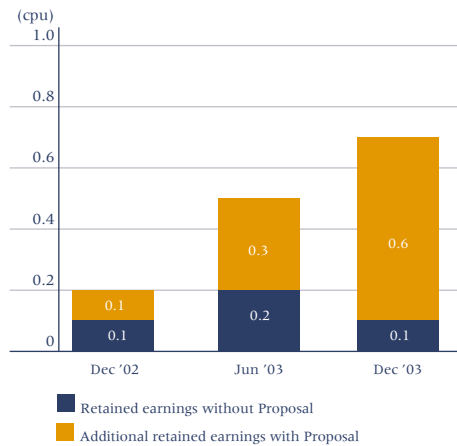
Non-core passing yield vs reinvestment yield assumed



CMIL forecasts that the total income accrued over the forecast period as a result of the passing yield premium is \$12.1 million. This equates to 0.9 cpu.

Of this, approximately \$7.6 million (0.6 cpu) will be retained as at 31 December 2003.

Retained earnings



At the end of the forecast period a total of \$9.0 million will be held in retained earnings. This equates to 0.7 cpu.

Saleability of industrial and HTI office portfolios

CMIL considers that the \$451.0 million industrial and HTI office portfolios represent a highly saleable parcel of properties. As a result CMIL expects demand will be strong from potential outright acquirers or parties wishing to swap for office properties that CMIL considers to be suitable.

This will provide significant opportunity for CMIL to add value for the benefit of Unitholders.

Provides funds for reinvestment into office assets

CMIL will be able to plan for future acquisitions with the knowledge that funds will be available from the ultimate sale or swap of the non-core assets.

Disadvantages/risk factors for CPA Unitholders

Lease expiry profile

The weighted average lease expiry (by income) of the non-core industrial and HTI office assets is 3.6 years and 1.6 years respectively. As a result of these shorter lease expiry profiles, CPA's initial weighted average lease term to expiry after implementation of the Proposal

will be 4.4 years, which compares to 4.8 years if the non-core assets had not been acquired.

Potential dilution to earnings and distributions upon divestment

If these non-core assets are sold but CMIL is not able to reinvest the proceeds by acquiring suitable office property promptly, the proceeds would be used in the interim period to retire debt.

Such a scenario would result in a dilution to CPA earnings as the passing yield on the non-core assets (9.13% average over the forecast period) is significantly higher than the 6.44% average cost of debt over the forecast period for CPA.

If the non-core assets are sold but CMIL reinvests the proceeds at a yield below the assumed forecast reinvestment yield of 7.35% per annum, there is a possibility that dilution of the distributions of CPA may occur.

If the non-core assets are sold prior to the end of the forecast period, the amount of the retained earnings benefit would be reduced. Consequently, there is a possibility that dilution of the distributions of CPA may occur unless the lower retained earnings impact is offset by increased retained earnings achieved as a result of capital gains arising from the disposal.

Early divestment

The forecasts in this Explanatory Memorandum assume that the non-core assets are held for the full forecast period, until December 2003. If the non-core assets are sold earlier than December 2003, the level of retained earnings which are forecast to be accumulated will be lower. This could be offset by increased retained earnings achieved as a result of capital gains arising from the disposal.

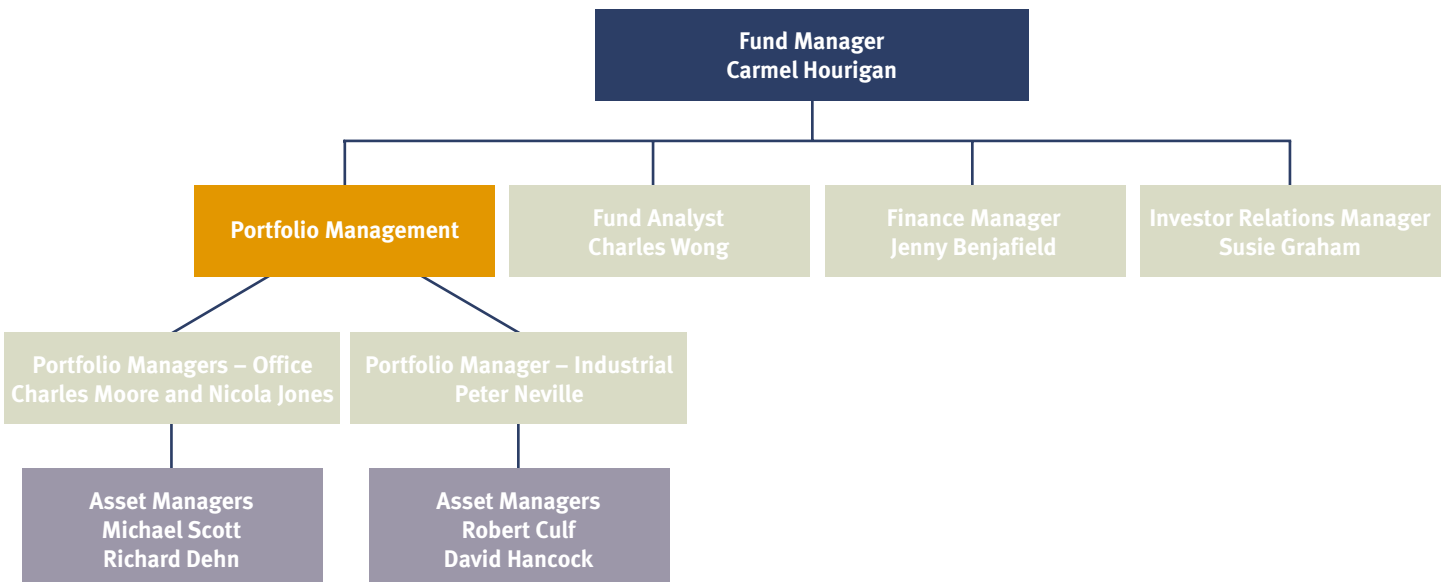
Summary

CMIL believes that the advantages of acquiring the industrial and HTI office assets, with the strategy of divestment, outweighs the disadvantages.

4. management team

CPA management team

The team which will be responsible for the management of CPA is detailed in the diagram below. This team brings a diverse range of property management and investment expertise to the management of CPA.



**Carmel Hourigan –
Fund Manager**

Carmel Hourigan is the Fund Manager for CPA. In this role Carmel is responsible for all aspects of management of CPA including the strategic direction of the vehicle, financial analysis and acquisitions and disposals.

Carmel has over 10 years combined experience in the property and funds management industries. Carmel's previous role was as Head of Research, where she provided key strategic research for Colonial First State Property Group's Funds Management Division. In April 1999, Carmel was appointed Assistant Fund Manager for CPA, and in January 2001 CPA's Fund Manager.



**Charles Moore –
Portfolio Manager, Office**

Charles Moore is the Portfolio Manager for CPA. Charles' role encompasses the full range of asset management functions including strategy formulation and implementation, portfolio modelling and analysis as well as management of property managers to maximise financial and physical outcomes for the assets.

Charles has 14 years experience across agency, valuation, structured property finance and asset management which provides a strong strategic focus for the asset management of the commercial portfolio.



**Nicola Jones –
Portfolio Manager, Office**

Nicola Jones is the Portfolio Manager for CFT's office portfolio. Nicola's role encompasses the full range of asset management functions including strategy formulation and implementation, portfolio modelling and analysis as well as management of property managers to maximise financial and physical outcomes for the assets.

Nicola has over 20 years experience in the industry, gained primarily in property and asset management of CBD office buildings.



**Richard Dehn –
Asset Manager, Office**

Richard Dehn is the Asset Manager for CFT’s office portfolio. Richard works closely with the Portfolio Manager to ensure maximum physical and financial performance is achieved from the assets. Richard’s role includes property modelling, financial analysis and managing property experts such as valuers and a team of property managers.

Richard has over 12 years experience in the property industry, primarily in the field of commercial asset and property management.



**Peter Neville –
Portfolio Manager, Industrial**

Peter Neville is the Portfolio Manager for CFT’s industrial and HTI office assets. Peter’s role encompasses the full range of asset management functions including strategy formulation and implementation, portfolio modelling and analysis as well as management of property managers to maximise financial and physical outcomes for the assets.

Peter has a broad range of experience in property both locally and internationally in the areas of asset management, research, acquisition and strategy.



**David Hancock –
Asset Manager, Industrial**

David Hancock is an Asset Manager for the CFT industrial and HTI office assets. David’s responsibilities include the day to day management of a number of properties within the trust, management of external managers and leasing agents/campaigns as well as the reporting of actual and forecasted income.

David has been working in the property industry for 19 years across the residential, commercial and industrial property sectors.



**Michael Scott –
Asset Manager, Office**

Michael Scott is CPA’s Asset Analyst. Michael’s role covers all areas of asset management and includes property modelling, overseeing property managers and monitoring the financial performance of each property.

Michael has worked in the property industry for the past nine years, including roles in property management, property accounting and property fund accounting.



**Robert Culf –
Asset Manager, Industrial**

Robert Culf is an Asset Manager for the CFT industrial and HTI office assets. Robert is responsible for HTI office property in Sydney and industrial property in Brisbane, Sydney and Melbourne. Robert’s role includes overseeing of external property managers and leasing agents and portfolio modelling.

Robert has been in the property industry for 15 years. He has held various property management roles specialising in industrial and commercial property throughout the Sydney metropolitan area.



**Charles Wong –
Fund Analyst**

Charles Wong is the Assistant Fund Manager for CPA. Charles’ role involves financial analysis, including peer group analysis, acquisition and divestment analysis and assisting the Fund Manager with strategic decision making.

Charles brings two years of investment management experience with him from both the property investment industry and financial debt markets.

4. management team (continued)



Jennifer Benjafield – Finance Manager

Jennifer Benjafield is the Finance Manager. Jennifer works closely with the funds management and portfolio management team to meet CPA's finance requirements. Her role encompasses the review and analysis of monthly accounts as well as annual and half-year financial statements, distributions to investors and cash flow management.

Prior to her current role, Jennifer worked as an Audit Supervisor, where she managed large audit teams for the financial services and property funds management industries.



Susie Graham – Investor Relations Manager

Susie Graham is the Investor Relations Manager for the LPTs managed by the Colonial First State Property Group. Together with the Investor Relations team, Susie is responsible for communications, marketing and client service to investors and the broader investment market.

Susie has worked in property funds management for four years in investor relations, marketing and communications for both LPTs and property securities funds.

Key support areas

The trust management team will be able to draw on the resources of Colonial First State Property Group which contains a number of key business support areas which are critical to the ongoing success of the funds managed by the group. These areas, and the key executives in these areas, are described below.

Treasury

The Treasury team provides strategic advice and implementation in relation to the ongoing debt program and interest rate management for the funds managed by the Colonial First State Property Group. This area is headed by Joanna Wakefield. Joanna has over 15 years of experience in property finance and accounting roles.

Capital transactions

The capital transactions team is responsible for the implementation and management of all property divestments and acquisitions. This is an experienced team of executives headed by Quentin Shaw. Quentin has over 20 years experience in the property industry encompassing valuation, research, agency, consulting, funds management and property transactions.

Compliance

The Colonial First State Property Group places a high degree of importance on its compliance and reporting regime. This area is managed by Stephen Etchell. Stephen has over 18 years experience in the funds management industry, including seven years experience in risk management and compliance.

Operations

The Operations area within the Colonial First State Property Group is responsible for functions including property research, procurement and systems support. This area is headed by Rowan Griffin. Rowan has held several senior management positions within the Colonial First State Property Group and has over 20 years experience in the property industry.

Senior management within Colonial First State Property Group

Senior management at Colonial First State Property Group contains a mix of highly experienced property and finance executives, who are drawn upon by the CPA team to support initiatives of the Fund. This includes the following people:

Geoff McWilliam is the Executive General Manager for the Colonial First State Property Group. In this position Geoff is responsible for the property funds management and corporate portfolios operations of the Commonwealth Bank of Australia.

Wal Edgell is the General Manager, Corporate Services. In this role Wal focuses on strategic and business planning for the Colonial First State Property Group. Wal also oversees the treasury, legal, compliance, human resources and overall administration functions for the Colonial First State Property Group.

Bob Kelly is the Head of Funds Management. In this role Bob oversees the listed and wholesale funds managed by the Colonial First State Property Group. Bob is also responsible for new business strategy, where he has created a number of new innovative fund structures for the property funds management industry.

Bevan Towning is the General Manager, Listed Funds. Bevan is responsible for the strategic direction of the listed funds management business. Bevan is also currently the Fund Manager for CFT.

Peter Roberts is the Chief Financial Officer. In this role Peter is responsible for the financial aspects of funds management, corporate portfolios and management entity businesses.

5. details on the new assets

The CFT core asset office properties being effectively acquired under the Proposal are summarised below:

CFT core assets being acquired

Property	Owned (%)	NLA (sqm)	Valuation (\$m)	Book value (\$m)	Date of valuation
Brandon Office Park, Glen Waverley, VIC	100	17,092	40.5	40.5	30 Jun 2002
60 Castlereagh Street, Sydney, NSW	100	26,988	190.0	190.0	30 Jun 2002
150 George Street, Parramatta, NSW	100	21,964	81.0	81.0	30 Jun 2002
14-18 Lee Street, Sydney, NSW	100	14,418	56.5	56.5	30 Jun 2002
1 Mill Street, Perth, WA	100	6,273	11.5	11.5	31 Dec 2001
5 Mill Street, Perth, WA	100	7,096	10.8	11.0	31 Dec 2001
45 Pirie Street, Adelaide, SA	100	19,809	54.7	55.4	31 Dec 2001
56 Pitt Street, Sydney, NSW	100	20,705	135.5	136.2	30 Sep 2001
300 Queen Street, Brisbane, QLD	100	19,308	70.0	72.7	30 Sep 2001
197 St Georges Terrace, Perth, WA	100	26,307	71.0	71.2	31 Dec 2001
Total core assets		179,960	721.5	726.0	

The above assets represent the core asset office portfolio which will be acquired if the Proposal is implemented. The forecasts in this Explanatory Memorandum assume that none of these assets will be divested during the forecast period. However, CMIL may consider disposing of property assets if it considers this is in the best interests of CPA Unitholders.

5. details on the new assets (continued)

Brandon Office Park

Location

Glen Waverley, VIC

CFT ownership

100%

Description

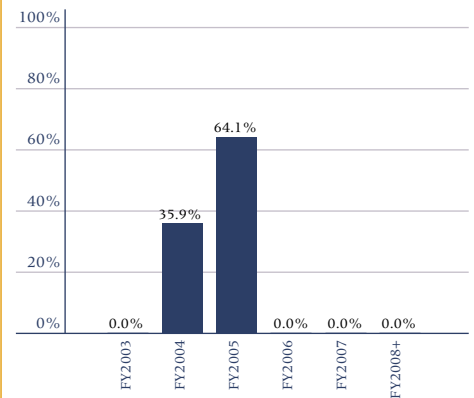
The property is located approximately 20 km south-east of the Melbourne CBD. This office park development offers five office buildings (between two and four storeys in height), set amongst landscaped gardens and recreation facilities.

Key data as at 30 June 2002

Office area (sqm)	17,092
Retail area (sqm)	N/A
Total area (sqm)	17,092
No. of car spaces	658
Valuation (\$m)	40.5
Value (\$/sqm)	2,370
Valuation date	June 2002
Capitalisation rate (%)	9.75
Discount rate (%)	10.25
Terminal yield (%)	10.00
Occupancy (%)	100

Major Tenants	% Income	Lease Expiry
NEC	36	Nov 2004
Telstra	23	May 2004
Telstra	12	Feb 2005
Ansell International	6	Jul 2003

Lease expiry profile (by income)



60 Castlereagh Street

Location

Sydney, NSW

CFT ownership

100%

Description

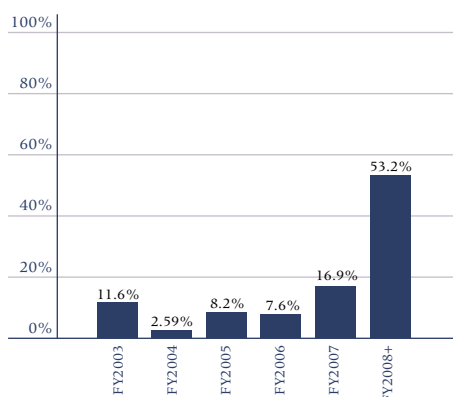
The property is prominently located fronting both Castlereagh Street and Elizabeth Street within the Sydney CBD. Completed in September 1999 the property offers occupants an extremely high standard of accommodation, providing 20 levels of office accommodation, ground floor retail and basement car parking.

Key data as at 30 June 2002

Office area (sqm)	25,675
Retail area (sqm)	1,313
Total area (sqm)	26,988
No. of car spaces	62
Valuation (\$m)	190.0
Value (\$/sqm)	7,040
Valuation date	June 2002
Capitalisation rate (%)	7.00
Discount rate (%)	10.00
Terminal yield (%)	7.25
Occupancy (%)	93.3

Major Tenants	% Income	Lease Expiry
BNP Paribas	31	Jun 2010
Shaw Stockbroking	7	Apr 2007
Korn/Ferry	7	May 2007
RMB	5	Mar 2009

Lease expiry profile (by income)



150 George Street

Location

Parramatta, NSW

CFT ownership

100%

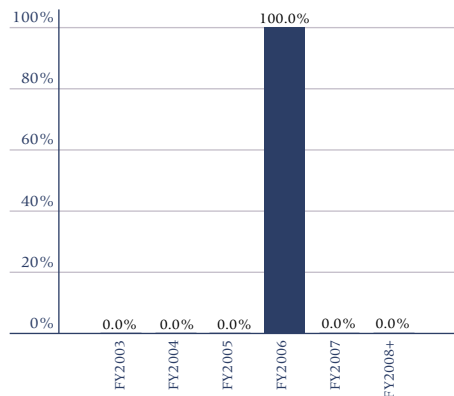
Description

The property is located in the Parramatta CBD, approximately 20 km west of the Sydney CBD. This modern office building incorporates office accommodation and car parking.

Key data as at 30 June 2002

Office area (sqm)	21,964	
Retail area (sqm)	N/A	
Total area (sqm)	21,964	
No. of car spaces	492	
Valuation (\$m)	81.0	
Value (\$/sqm)	3,687	
Valuation date	June 2002	
Capitalisation rate (%)	8.50	
Discount rate (%)	10.75	
Terminal yield (%)	9.25	
Occupancy (%)	100	
Major Tenant	% Income	Lease Expiry
Commonwealth		
Bank of Australia	100	Nov 2005

Lease expiry profile (by income)



14-18 Lee Street

Location

Sydney, NSW

CFT ownership

100%

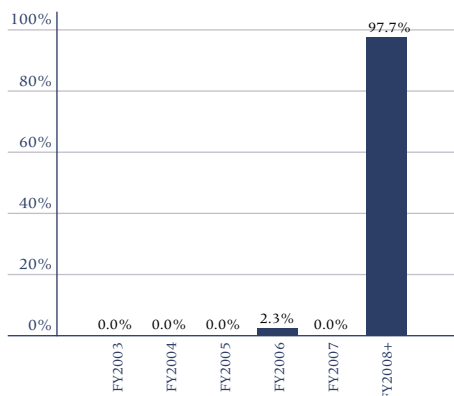
Description

The property is located in the southern sector of the Sydney CBD, approximately 2 km south of the Sydney GPO in the Central Railway Station precinct. The development features an eight-level retail and office building.

Key data as at 30 June 2002

Office area (sqm)	13,500	
Retail area (sqm)	918	
Total area (sqm)	14,418	
No. of car spaces	90	
Valuation (\$m)	56.5	
Value (\$/sqm)	3,919	
Valuation date	June 2002	
Capitalisation rate (%)	8.75	
Discount rate (%)	11.00	
Terminal yield (%)	9.00	
Occupancy (%)	100	
Major Tenants	% Income	Lease Expiry
State Rail Authority	86	Jun 2010
Toga	6	Oct 2010

Lease expiry profile (by income)



5. details on the new assets (continued)

1 Mill Street

Location

Perth, WA

CFT ownership

100%

Description

The property is located in Perth's CBD. The property, which has frontages to Mill Street and Mounts Bay Road, was completed in 1986 and comprises a four-level office building and basement car parking.

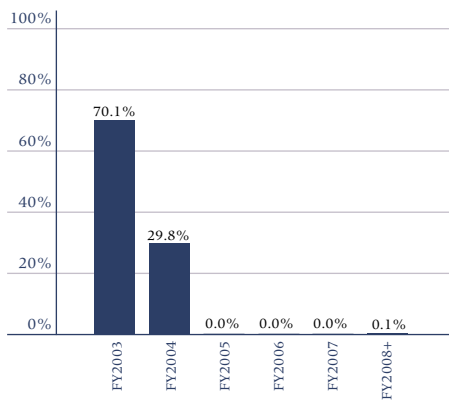
Key data as at 30 June 2002

Office area (sqm)	6,273
Retail area (sqm)	N/A
Total area (sqm)	6,273
No. of car spaces	47
Valuation (\$m)	11.5
Value (\$/sqm)	1,833
Valuation date	Dec 2001
Capitalisation rate (%)	9.50
Discount rate (%)	12.00
Terminal yield (%)	9.75
Occupancy (%)	100

Major Tenants % Income Lease Expiry

Fluor Daniel	62	Feb 2003
Tiga Joint Venture	21	Dec 2003
Phillips Petroleum	5	Sep 2002

Lease expiry profile (by income)



5 Mill Street

Location

Perth, WA

CFT ownership

100%

Description

The property is located in the CBD. The building comprises a ground floor and 10 upper floors and two floors of car parking.

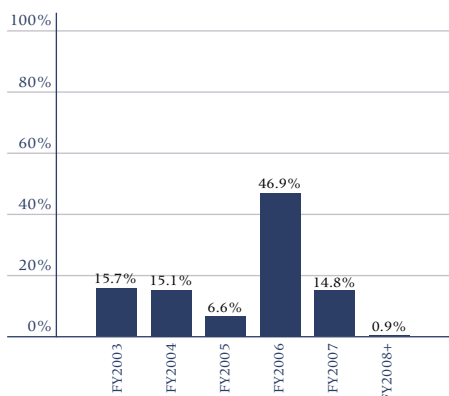
Key data as at 30 June 2002

Office area (sqm)	6,793
Retail area (sqm)	303
Total area (sqm)	7,096
No. of car spaces	33
Valuation (\$m)	10.75
Value (\$/sqm)	1,514
Valuation date	Dec 2001
Capitalisation rate (%)	9.50
Discount rate (%)	12.00
Terminal yield (%)	9.75
Occupancy (%)	94.8

Major Tenants % Income Lease Expiry

Spherion Technology Solutions	26	Jul 2005
PPB Ashton Read	7	Mar 2006
JD Edwards	6	Sep 2005

Lease expiry profile (by income)



45 Pirie Street

Location

Adelaide, SA

CFT ownership

100%

Description

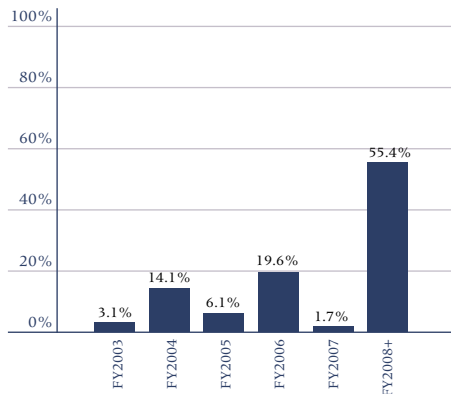
The property is located in the centre of the Adelaide CBD on the southern side of Pirie Street. This modern building offers 19 levels of premium grade office accommodation with basement car parking.

Key data as at 30 June 2002

Office area (sqm)	19,451
Retail area (sqm)	358
Total area (sqm)	19,809
No. of car spaces	56
Valuation (\$m)	54.7
Value (\$/sqm)	2,762
Valuation date	Dec 2001
Capitalisation rate (%)	9.10
Discount rate (%)	10.50
Terminal yield (%)	10.00
Occupancy (%)	98

Major Tenants	% Income	Lease Expiry
SA Attorney Gen. Dept.	36	Sep 2007
SA Min. for Govt. Ent.	16	Jun 2010
ING	8	Dec 2005
Norman Waterhouse	7	Sep 2003

Lease expiry profile (by income)



56 Pitt Street

Location

Sydney, NSW

CFT ownership

100%

Description

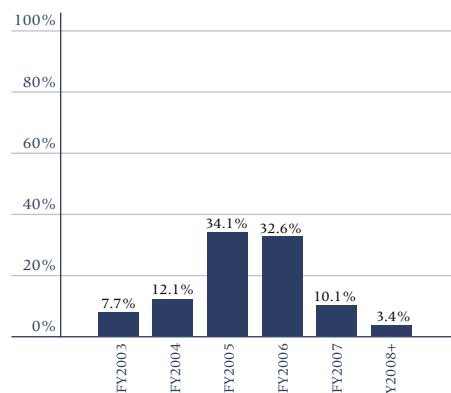
The property is prominently located within Sydney's financial district. The building underwent an extensive refurbishment which was completed in October 1998. The property provides A-grade office accommodation over 26 levels, ground floor retail and basement car parking.

Key data as at 30 June 2002

Office area (sqm)	20,462
Retail area (sqm)	243
Total area (sqm)	20,705
No. of car spaces	70
Valuation (\$m)	135.5
Value (\$/sqm)	6,543
Valuation date	Sep 2001
Capitalisation rate (%)	7.50
Discount rate (%)	10.25
Terminal yield (%)	8.75
Occupancy (%)	94.4

Major Tenants	% Income	Lease Expiry
RBC Global Services	12	Jun 2005
Suncorp Metway	9	Nov 2004
Charles Schwabb	6	Aug 2005
Norton White	6	Jan 2007

Lease expiry profile (by income)



5. details on the new assets (continued)

300 Queen Street

Location

Brisbane, QLD

CFT ownership

100%

Description

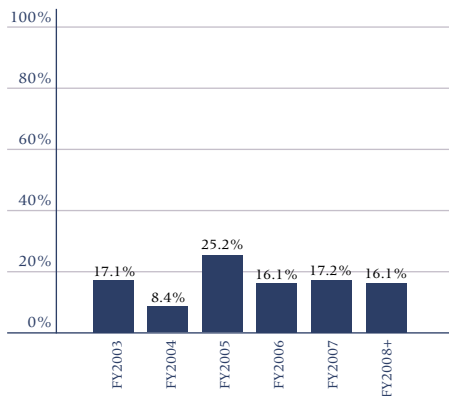
The property is located in a prime position on the north-western side of Queen Street in the Brisbane CBD, adjacent to Post Office Square. This office building has three basement car park levels, lower ground floor food court, ground floor foyer and 25 upper levels of office accommodation.

Key data as at 30 June 2002

Office area (sqm)	18,355
Retail area (sqm)	953
Total area (sqm)	19,308
No. of car spaces	130
Valuation (\$m)	70.0
Value (\$/sqm)	3,625
Valuation date	Sep 2001
Capitalisation rate (%)	8.00
Discount rate (%)	11.00
Terminal yield (%)	8.25
Occupancy (%)	95

Major Tenants	% Income	Lease Expiry
BDO Kendals	15	Jul 2005
Macquarie Bank	13	Dec 2006
Douglas Heck Burell	7	Jun 2009
HSBC	8	Jun 2005

Lease expiry profile (by income)



197 St Georges Terrace

Location

Perth, WA

CFT ownership

100%

Description

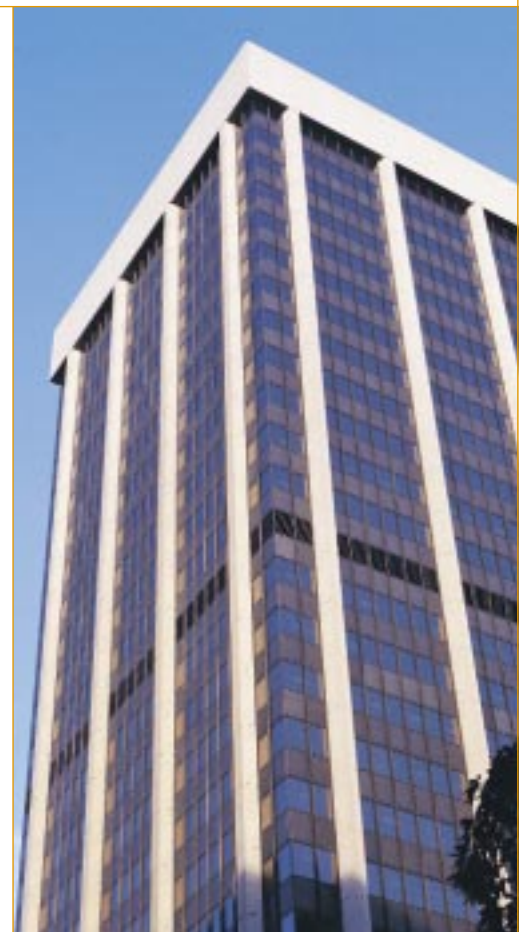
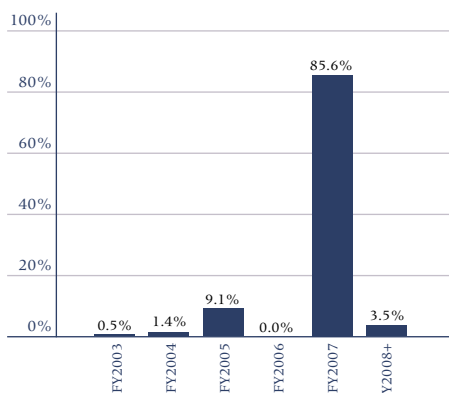
The property is located in Perth's CBD. It has frontages to St Georges Terrace and Mill Street. The building comprises a 29-level office tower and incorporates ground floor retail and basement car parking.

Key data as at 30 June 2002

Office area (sqm)	25,222
Retail area (sqm)	1,084
Total area (sqm)	26,307
No. of car spaces	202
Valuation (\$m)	71.0
Value (\$/sqm)	2,698
Valuation date	Dec 2001
Capitalisation rate (%)	7.90
Discount rate (%)	11.00
Terminal yield (%)	8.50
Occupancy (%)	100

Major Tenants	% Income	Lease Expiry
State Govt of WA	83	Jun 2007
Levasta	3	Sep 2010

Lease expiry profile (by income)



6. financial information

CMIL, as responsible entity of CPA, has prepared financial forecasts for CPA which must be read in conjunction with the assumptions and risk factors set out below. While CMIL believes that the assumptions made in preparing the forecasts are appropriate and reasonable at the time of preparing this Notice of Meeting and Explanatory Memorandum, some factors which may affect results cannot be foreseen or accurately predicted and many factors are beyond the control of CMIL.

While CMIL has given due care and attention to the preparation of the forecasts, neither CMIL nor PricewaterhouseCoopers Securities Ltd (the 'Investigating Accountant') guarantees that the forecast will be achieved. CPA Unitholders are advised to review the assumptions, financial forecasts and risk factors and make their own assessment of CPA's future performance.

These forecasts have been reviewed by the Investigating Accountant whose report appears in Section 9.

Pro-forma statements of financial position

The table below shows the pro-forma consolidated statement of financial position of CPA as at 30 June 2002 and the resulting pro-forma consolidated statement of financial position of CPA assuming the Proposal proceeds.

Pro-forma statements of financial position

	Pro-forma June 2002 (\$'000)	Pro-forma (assuming Proposal proceeds) (\$'000)
Assets		
Cash and money market securities	8,409	10,634
Other current assets	8,039	18,964
Investment properties	865,679	2,042,720
Investments in associates	58,658	58,658
Other assets	1,496	1,209
Total assets	942,281	2,132,185
Liabilities		
Payables and provisions	8,474	31,388
Provision for distributions	25,910	44,189
Borrowings	239,395	538,010
Total liabilities	273,779	613,587
Net assets	668,502	1,518,598
Equity		
Contributed equity	615,369	1,465,465
Reserves	53,133	53,133
Total equity	668,502	1,518,598
Number of units ('000)	621,127	1,361,468
NTA per unit (\$)	\$1.08	\$1.12
Debt/total assets (%)	25%	25%

The pro-forma 30 June 2002 statement of financial position is based on the reviewed statement of financial position at 31 December 2001 updated to reflect capital expenditure and associated borrowings, and revaluations since that date.

The pro-forma statement of financial position assuming the Proposal proceeds incorporates estimates of the fair value of the assets and liabilities being acquired and of the consideration paid at the date the Proposal is implemented. Until the Proposal is implemented there will not be sufficient information available to ascertain these fair values. If at this time the fair value of consideration is greater than the fair value of assets and liabilities acquired this will be recognised as goodwill. Any such goodwill arising will be amortised over a period of five years, but an amount equal to the amortisation will be transferred from contributed equity, so as not to impact distributions.

6. financial information (continued)

Income and distribution forecasts

The following tables set out the forecast earnings and distributions for CPA for the six-month periods ending 31 December 2002, 30 June 2003 and 31 December 2003. These statements include the forecasts assuming the Proposal is NOT implemented and assuming the Proposal IS implemented.

Forecasts for CPA assuming the Proposal IS NOT implemented

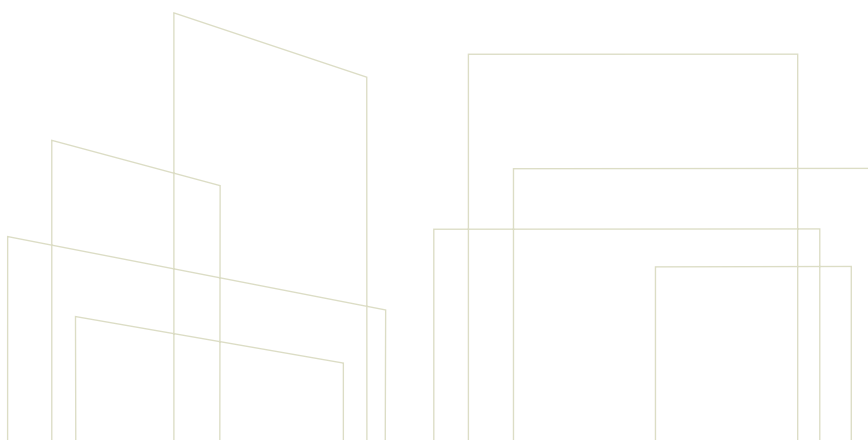
	6 months ending 31 December 2002 (\$'000)	6 months ending 30 June 2003 (\$'000)	6 months ending 31 December 2003 (\$'000)
Net property income	35,573	37,232	37,234
Share of net profit of associate	2,243	2,293	2,334
Interest income	108	209	362
Total income	37,924	39,734	39,930
Borrowing expense	7,635	8,564	8,796
CMIL's fee*	1,259	1,320	2,588
Other expenses	570	584	588
Total expenses	9,464	10,468	11,972
Net profit	28,460	29,266	27,958
Retained earnings brought forward	707	997	2,004
Net profit plus retained earnings	29,167	30,263	29,962
Distributions	28,170	28,259	28,532
Retained earnings	997	2,004	1,430
Earnings (cpu)	4.58	4.71	4.50
Distributions (cpu)	4.54	4.55	4.59
Tax-deferred component	20.0%	24.4%	23.6%

* The increase in the management fee expense in December 2003 reflects the expiry of the management fee waiver put in place by CMIL at the time of the initial public offering in April 1999 (refer to page 28 in assumptions).

Forecasts for CPA assuming the Proposal IS implemented

	6 months ending 31 December 2002 (\$'000)	6 months ending 30 June 2003 (\$'000)	6 months ending 31 December 2003 (\$'000)
Net property income	84,599	87,057	88,343
Share of net profit of associate	2,243	2,293	2,334
Interest income	221	362	454
Total income	87,063	89,712	91,131
Borrowing expense	17,516	18,732	18,899
CMIL's fee*	3,457	3,514	4,784
Other expenses	1,046	1,059	1,063
Total expenses	22,019	23,305	24,746
Net profit	65,044	66,407	66,385
Retained earnings brought forward	707	2,858	6,233
Net profit plus retained earnings	65,751	69,265	72,618
Distributions	62,893	63,032	63,586
Retained earnings	2,858	6,233	9,032
Earnings (cpu)	4.78	4.88	4.88
Distributions (cpu)	4.62	4.63	4.67
Tax-deferred component	33.3%	35.4%	33.5%

* The increase in the management fee expense in December 2003 reflects the expiry of the management fee waiver put in place by CMIL at the time of the initial public offering in April 1999 (refer to page 28 in assumptions).



6. financial information (continued)

Assumptions

Accounting policies

The financial forecasts have been prepared in accordance with the significant accounting policies of CPA as disclosed in its accounts for the half-year ended 31 December 2001. It has been assumed that there will be no change in applicable accounting standards or the Corporations Act 2001 (Cth) that would have a material effect on the financial forecasts.

Allotment date

The CPA units issued under the Proposal are to be allotted on or about 6 September 2002 and will rank for distributions from 1 July 2002.

Net property income

Net property income includes gross rental income and other income earned from properties less recoverable expenses and property expenses (including property management expenses).

Rental income

Forecast rental income is based on current leases including, where applicable, CMIL's expectations for any changes on review. Factors taken into account include CMIL's assessment of likely market conditions, inflation and budgeted expenditure.

Vacancy and incentive allowances

CMIL assumes average combined relet and lease incentive allowance at the expiry of current and expected leases of between three and six months. This allowance takes into account the likelihood that a tenant will remain at the property at the expiry of its current lease and the expected market conditions at the relevant time.

Expenses

An individual assessment of both recoverable and non-recoverable expenses has been made and an appropriate escalation factor has been applied where relevant.

Management fees

The forecasts (assuming the Proposal is implemented) contained in this Explanatory Memorandum reflect that the new performance-linked management fee structure is also implemented (Resolution 2). This assumption includes the base management fee being 0.45% of average gross assets per annum and no entitlement to performance fees during the forecast period. The increase in EPU and DPU in the forecast period as a result of the reduced base fee is approximately 0.08 cpu in each six-month period.

Interest income

Interest income earned on the cash balance is based on an average interest rate of 4.94% per annum for the six-month period to 31 December 2002, 5.41% for the six months ending 30 June 2003 and 5.65% for the six-month period ending 31 December 2003.

Interest expense summary

	6 months ending 31 Dec 2002 (%)	6 months ending 30 Jun 2003 (%)	6 months ending 31 Dec 2003 (%)
Hedged component of debt	63	60	60
Average cost of hedged debt (inc. margin)	6.48	6.56	6.56
Average cost of floating debt (inc. margin)	5.95	6.48	6.43

Interest expense

The table below summarises CPA's anticipated cost of debt during the forecast period. Assuming that the Proposal proceeds, the gearing of CPA (debt to gross assets on a consolidated basis) will be approximately 25%. CMIL will continue to use interest rate swaps and other similar derivative products to reduce CPA's exposure to adverse fluctuations in interest rates.

It has been assumed that CPA will replace all existing hedging arrangements in place in the Colonial First State Commercial Property Trust, Colonial First State Industrial Property Trust and Colonial First State Development Trust, post approval of the merger. The table below reflects the new forecast hedging arrangements.

Other expenses

Other expenses cover the recurring operating expenses including annual listing fees, valuation fees, registry charges, audit fees, postage, printing costs and other miscellaneous expenses. Other expenses have been escalated in accordance with the consumer price index assumptions during the forecast period as set out below.

Property portfolio

The industrial and HTI office assets to be effectively acquired from CFT under the Proposal have been identified as non-core assets and it is the intention of CMIL that these be divested.

The forecasts contained in this Notice of Meeting and Explanatory Memorandum assume that the divestment program of the non-core assets will not occur during the forecast period, that is prior to December 2003. The exact timing of any sale will depend on CMIL forming a view of what is in the best interests of CPA Unitholders at the time.

In addition to the non-core assets, it is assumed that there will be no further acquisitions or disposals of property assets during the forecast period. However, CMIL may consider acquiring or disposing of property assets if it considers this is in the best interests of CPA Unitholders.

Debt

CPA is looking to replace its current bank debt with a capital markets program. The new debt program has been taken into account in the preparation of this Explanatory Memorandum.

Distribution Reinvestment Plan

It is assumed that a Distribution Reinvestment Plan ('DRP') will not operate during the forecast period. CMIL may consider activating a DRP in the future if it considers this is in the best interests of CPA Unitholders.

Costs of the acquisition

Costs of the effective acquisition of the CFT assets under the Proposal include advisers' fees, legal and other professional fees.

If the Proposal is implemented, these costs amounting to approximately \$6.2 million will be treated as a cost of issuing units to CFT stapled security holders and be deducted directly from contributed equity. If the Proposal is not implemented costs of approximately \$1.5 million will be written-off in the statement of financial performance, and an equivalent transfer will be made from contributed equity, so as not to impact distributions.

Consumer price index forecasts

	6 months ending 31 Dec 2002 (%)	6 months ending 30 Jun 2003 (%)	6 months ending 31 Dec 2003 (%)
Consumer price index	2.5	2.5	2.5

Capital expenditure

Allowance has been made for all anticipated capital expenditure, which is assumed to be funded by additional debt.

Forecast capital expenditure for CPA to 31 December 2003 is set out below:

Capital expenditure forecasts

	6 months ending 31 Dec 2002 (\$'000)	6 months ending 30 Jun 2003 (\$'000)	6 months ending 31 Dec 2003 (\$'000)
Existing portfolio	36,948*	7,453	5,756
Core assets under the Proposal	4,999	1,917	1,038
Non-core assets under the Proposal	635	889	439
Total	42,582	10,259	7,233

* This includes development costs of \$30.4 million for the three development properties in West Perth.

Accounting standard changes ED103

Distributable operating income excludes any property revaluation increments or decrements. Under proposed Accounting Standard ED103 Investment Property, such amounts may be required to be recorded as items of income or expense. As they are unrealised gains/losses there would be no impact on distributions.

6. financial information (continued)

Distribution support arrangement

As set out in the Initial Public Offering document of CPA (dated April 1999), CMIL has agreed to reduce the level of fees payable by CPA during the period to 30 June 2003. As at 1 July 2002, an amount totalling \$2.5 million of distribution support still remained available to CPA Unitholders. For the purposes of the forecasts provided earlier the allocation of the fee waiver will be as follows:

- six months ending 31 December 2002 – \$1.25 million;
- six months ending 30 June 2003 – \$1.25 million; and
- six months ending 31 December 2003 – nil.

Taxation

It has been assumed that there will be no changes to State or Federal Government laws, including tax laws, during the forecast period.

Asset values

It is assumed that the value of CPA's property assets increase during the forecast period to the extent of capital expenditure incurred. In addition, it is assumed that the increase in the value of the properties at the next revaluation date will be sufficient to at least offset the acquisition costs that have been capitalised.

Risk factors

There are a number of factors which may have an impact on the future performance of CPA. The future level of income distributions, value of the assets and the market value of CPA units listed on the Australian Stock Exchange ('ASX') may be influenced by any of these factors. Set out below is a summary of the material risk factors.

General market

Movements in general economic conditions and in the Australian or international equities and bond markets may have an impact on the price at which CPA units trade on the ASX.

Interest rate volatility

Adverse changes in interest rates, to the extent to which they are not hedged, may have an impact on the average distribution yields for CPA.

Government policy changes

Changes in government policy and regulatory changes, including changes to the taxation system, may affect future earnings and relative attractiveness of investing in LPTs such as CPA.

Property market factors

Supply and demand for office and industrial properties from both the direct property and LPT market will be an important factor in determining the future level of income, property net asset value and capital growth of CPA. The forecasts have been based on a specified level of ongoing growth that may not be achieved.

Insurance

In November 2001, CPA's insurance contract expired with a new annual contract being agreed, subject to usual market exclusions including acts of terrorism. CMIL closely monitors insurance product offerings that may be deemed commercially acceptable as well as arrangements made by other major owners in the office sector.

Other risk factors

Other risk factors which may affect the distributions and the market price of CPA units include:

- increase in the supply of LPT units or decrease in demand for CPA in the general market;
- fluctuations in the value of property assets due to general market conditions and due to conditions which affect a specific sector of the property market;
- movements in property rental levels and occupancy levels in CPA properties and/or the market generally;
- technological changes impacting on the demand for lettable space;
- the possibility that third parties, including tenants, may default on their obligations;
- unanticipated capital expenditure in respect of properties which may affect debt and equity requirements;
- expenses being greater than anticipated;
- timing to relet vacant space and tenant incentives;
- ability to recover expenses;
- assumptions used in preparing the forecast financial information not being realised;
- changes in the demand fundamentals of the office markets to which CPA is exposed; and
- the supply of new office buildings, either through new construction or refurbishment, may affect the ability to secure lease renewals or obtain new tenants.

7. notice of meeting

Notice is given that a Meeting of Unitholders of Commonwealth Property Office Fund will be held at:

Time: 11:00am

Date: 3 September 2002

Place: The Ballroom

**Sydney Convention
and Exhibition Centre**

Level 2,

**Convention Centre South,
Darling Harbour, Sydney**

In accordance with section 252S (1) of the Corporations Act 2001 (Cth), Commonwealth Managed Investments Limited appoints Geoffrey K McWilliam to act as Chairman of the meeting.

7.1 Business of the meeting

The business of the meeting is as follows:

Resolution 1 – Approval of the Proposal and issue of CPA units

To consider and if thought fit to pass the following resolution as an ordinary resolution.

That the proposal described in Section 10.1 of the Explanatory Memorandum accompanying the Notice of Meeting dated 30 July 2002 be approved and, in particular, that for the purposes of ASX Listing Rule 7.1, the issue of units contemplated in terms of that proposal be approved.

Resolution 2 – Amend the Constitution – New responsible entity management fee structure

To consider and if thought fit to pass the following resolution as a special resolution:

That, in accordance with clause 15 of the Constitution of the Commonwealth Property Office Fund (Constitution) and section 601GC(1)(a) of the Corporations Act 2001 (Cth), clause 10 of the Constitution be amended:

- by deleting the text that is struck through in Section 10.2 of the Explanatory Memorandum accompanying the Notice of Meeting dated 30 July 2002;

- by inserting the text that is underlined in Section 10.2 of the Explanatory Memorandum accompanying the Notice of Meeting dated 30 July 2002; and

- by renumbering the clauses of the Constitution to conform with the numbering in Section 10.2 of the Explanatory Memorandum accompanying the Notice of Meeting dated 30 July 2002.

Resolution 3 – Ratification of previous issues

To consider and if thought fit to pass the following resolution as an ordinary resolution:

That,

- (a) for the purposes of clause 5.6(a)(2)(A) of the Constitution of the Commonwealth Property Office Fund and ASX Listing Rule 7.4, the issue of units described in item 1 of section 7.2.3 of the Notice of Meeting dated 30 July 2002 be approved and ratified; and
- (b) for the purposes of clause 5.6(a)(2)(A) of the Constitution of the Commonwealth Property Office Fund, the issue of units described in item 2 of section 7.2.3 of the Notice of Meeting dated 30 July 2002 be approved and ratified.

Resolution 4 – Amend the Constitution – Placements

To consider and if thought fit to pass the following resolution as a special resolution:

That, in accordance with clause 15 of the Constitution of the Commonwealth Property Office Fund (Constitution) and section 601GC(1)(a) of the Corporations Act 2001 (Cth), clause 5.6(a) of the Constitution be amended:

- by inserting the text that is underlined in Section 10.3 of the Explanatory Memorandum accompanying the Notice of Meeting dated 30 July 2002.

7.2 Background information on the Resolutions

7.2.1 Resolution 1 – Approval of the Proposal and issue of CPA units
The Resolution seeks:

- Unitholder approval for the Proposal described in the Notice of Meeting and Explanatory Memorandum (Sections 1 and 10); and
- Unitholder approval for the purposes of ASX Listing Rule 7.1 of the issue of 740.3 million CPA units pursuant to the Proposal.

ASX Listing Rule 7.1 prevents CMIL from issuing more than a certain number of 'equity securities' in CPA without seeking Unitholder approval. In essence, that number is equal to 15% of the number of 'ordinary securities' on issue in CPA calculated on a rolling 12-month period.

The Unitholder approval required by the ASX Listing Rules is being sought as part of Resolution 1.

Even if Resolution 1 is carried, the Proposal will not proceed unless:

- the necessary resolutions to approve the Proposal are carried at a meeting of CFT unitholders to be held on the same date as the Meeting of Unitholders;
- the necessary resolutions to approve the Proposal are carried at a meeting of GAN unitholders to be held on the same date as the Meeting of Unitholders; and
- the entities involved in the Proposal are satisfied that it can proceed and, in particular, that all relevant approvals have been obtained and that all relevant documents have been or will be executed.

7. notice of meeting (continued)

7.2.2 Resolution 2 – Amend the Constitution – New responsible entity management fee structure

Resolution 2 will only be put to Unitholders if Resolution 1 is carried. This amendment is set out in full and discussed in Section 10.2.

7.2.3 Resolution 3 – Ratification of previous issues

The Resolution seeks Unitholder approval and ratification of the following two issues of securities for the purposes of clause 5.6(a)(2)(A) of the Constitution. The Resolution also seeks Unitholder approval and ratification of the issue in item (1) of section 7.2.3 for the purposes of ASX Listing Rule 7.4.

1. Issue pursuant to placement

The first issue in relation to which Unitholder ratification is sought is the issue of 22,850,877 units on 19 April 2002 at a price of \$1.14 per unit (a discount to the weighted average traded price for a unit for all sales on the ASX for the period of 10 business days immediately preceding 19 April 2002 of \$1.16). This increased the number of units on issue by 3.9%. The money raised was for the purpose of funding the acquisition of three office development sites in West Perth (42-46 Colin Street, 53 Ord Street and 14-16 Parliament Place) and the capital expenditure for the construction of three office buildings at those sites. The securities issued ranked equally in all respects (including with respect to distributions for the six-month period ending 30 June 2002) with existing units. The issue was by way of an institutional private placement managed by UBS Warburg Australia Limited ('UBSW'). The entities that acquired units were professional investors within the meaning of section 9 of the Corporations Act 2001 (Cth). The responsible entity, its directors and associates did not participate in the issue.

2. Issue pursuant to Unitholder purchase plan

The second issue in relation to which Unitholder ratification is sought is the issue of 11,006,317 units on 20 May 2002 at a price of \$1.14 per unit (a discount to the weighted average traded price for a unit for all sales on the ASX for the period of 10 business days immediately preceding 20 May 2002 of \$1.18). This increased the number of units on issue by 1.8%. The money raised was for the purpose of funding the acquisition of three office development sites in West Perth (42-46 Colin Street, 53 Ord Street and 14-16 Parliament Place) and the capital expenditure for the construction of three office buildings at those sites. The securities issued ranked equally in all respects (including with respect to distributions for the six-month period ending 30 June 2002) with existing units. Up to 11,006,317 units were allotted to Unitholders with addresses (as appearing on the register of CPA) in Australia who chose to participate in the Unitholder purchase plan of which Unitholders were advised by letter dated 23 April 2002. The responsible entity, its directors and associates did not participate in the issue.

The restriction on issuing units contained in ASX Listing Rule 7.1 is discussed in relation to Resolution 1. The Constitution (because of requirements in the Corporations Act 2001 (Cth) (as modified by the Class Order)) also places restrictions on the number of units that can be issued without Unitholder approval at a price that is at a discount to the Listed Issue Price of units (as that term is defined in the Constitution; generally speaking, the Listed Issue Price is the weighted average traded price for a unit for all sales on the ASX for a period of 10 business days; a complete definition is contained in the

Glossary). The relevant clause in the Constitution is set out in Section 10.3. Under these restrictions, Unitholder approval is required where more than 10% of the number of units on issue in CPA are issued at a discount in any 12-month period or where the amount by which the Listed Issue Price is discounted exceeds 10%.

The issues of units referred to above were both within the limits permitted under ASX Listing Rule 7.1 and the Constitution. Accordingly, Unitholder approval was not required at the time those units were issued.

If Unitholders ratify the issues of units described above, CMIL is not required to count those units for the purpose of determining whether the limits in the Constitution would be exceeded in respect of a future issue of units. Further, the issue referred to in item (1) above will be ratified for the purposes of ASX Listing Rules 7.1 and 7.4 and CMIL will not be required to count those units for the purpose of determining whether the limit in ASX Listing Rule 7.1 would be exceeded in respect of issues of units taking place in the future.

7.2.4 Resolution 4 – Amend the Constitution – Placements

Resolution 4 is a special resolution which, if passed, will amend the Constitution as set out in Section 10.3 of the Explanatory Memorandum accompanying this Notice of Meeting.

As noted above with respect to Resolution 3, the Constitution places restrictions on the number of units that can be issued without Unitholder approval at a discount to the Listed Issue Price. The relevant provision in the Constitution is set out in Section 10.3.

The effect of the amendments is to ensure that certain issues of units or options pursuant to an offer that is made to all Unitholders (excluding, in some cases, Unitholders whose address, as appearing on the register of CPA, is outside Australia) do not count for the purposes of determining whether the 10% limit on the number of units that can be issued at a discount would be exceeded in any 12-month period. The types of offer that could be made to all Unitholders are:

- a rights issue where the number of units or options offered to each Unitholder is proportionate to the value of the units held by that Unitholder (clause 5.6(b) and (c) of the Constitution);
- a distribution reinvestment arrangement whereby each Unitholder is entitled to use all or part of the distributions payable to them in respect of their units to purchase further units (clause 5.6(d) of the Constitution); or
- a Unitholder purchase plan where the number of units offered to each Unitholder is the same and the value of the units offered is not more than \$3000 in any 12-month period (clause 5.6(e) of the Constitution).

7.3 Further information

The Explanatory Memorandum accompanying this Notice of Meeting sets out the reasons why the Resolutions are being proposed and explains their effect. Except as otherwise clearly stated, this material has been prepared by, or on behalf of, CMIL.

Independent Expert's opinion

The Independent Expert, BDO Corporate Finance, has concluded that:

'...the Proposal is fair and reasonable and in the best interests of the Unitholders.'

Recommendation

CMIL and the Directors of CMIL recommend that Unitholders vote in favour of ALL the Resolutions.

7.4 Voting and eligibility

Poll

Each of the Resolutions will be decided by way of a poll. Each Unitholder present in person or by proxy has one vote for each whole \$1.00 of unit value held in CPA. The value of a unit will be equal to the last sale price on the ASX on 2 September 2002. On a poll, a Unitholder entitled to two or more votes need not cast all their votes and may cast their votes in different ways.

Majority required

Resolutions 1 and 3 are ordinary resolutions and will be passed if more than 50% of the votes cast by Unitholders entitled to vote on the Resolution are cast in favour of the Resolution.

Resolutions 2 and 4 are special resolutions and will be passed if at least 75% of votes cast by Unitholders entitled to vote on the Resolution are cast in favour of the Resolution.

Eligibility

Subject to the following, all holders of ordinary units appearing in the CPA register of Unitholders as at 5:00pm (EST) on 2 September 2002 will be entitled to attend and vote at the meeting.

CMIL will disregard any votes cast on Resolution 1 by:

- CMIL and its associates in respect of their interests;
- a person who may participate in the issue of CPA units as part of the Proposal and any associate of any such person; and
- a person who might obtain a benefit, except a benefit solely in the capacity of a holder of units in CPA, if Resolution 1 is passed and any associate of any such person.

CMIL will disregard any votes cast on Resolution 2 by CMIL and its associates in respect of their interests.

CMIL will disregard any votes cast on Resolution 3 by a person who participated in the issue to which item 1 of Resolution 3 relates and any associate of any such person. This means that if you were allocated units by UBSW as part of the placement made on 19 April 2002, you and your associates are not eligible to vote on Resolution 3.

However, CMIL need not disregard a vote cast on Resolution 1 or Resolutions 1, 2 or 3 if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Quorum

The quorum necessary for a meeting of Unitholders convened to consider a special resolution is at least 20 Unitholders present in person.

7.5 How to exercise a right to vote

Jointly held units

If units are jointly held, only one of the joint holders is entitled to vote. If more than one CPA Unitholder votes in respect of jointly held units, only the vote of the Unitholder whose name appears first in the register will be counted.

Corporations

In order to vote at the meeting (other than by proxy), a corporation that is a Unitholder must appoint a person to act as its representative. The appointment must comply with section 253B of the Corporations Act 2001 (Cth). The representative must bring to the meeting evidence of his or her appointment including any authority under which it is signed.

7. notice of meeting (continued)

Voting by proxy

If you do not plan to attend the Meeting in person, you are encouraged to complete and return the proxy form that accompanies this Notice of Meeting.

- A Unitholder entitled to attend and vote at the meeting is entitled to appoint not more than two proxies.
- Where more than one proxy is appointed, each proxy should be appointed to represent a specified proportion (or number) of the Unitholder's votes. If a Unitholder does not specify the proportion or number of the Unitholder's votes each proxy may exercise, each proxy may exercise half the votes. If you wish to appoint a second proxy, please contact the unit registry, ASX Perpetual Registrars Limited for the relevant form.
- A proxy need not be a Unitholder.
- You may appoint the Chairman of the meeting as your proxy to vote as you direct. If you return the proxy form without naming a proxy, the Chairman of the meeting will be appointed as your proxy. If the Chairman is your proxy but you do not direct the Chairman how to vote, the Chairman will vote in favour of the Proposal.

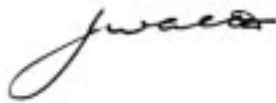
The form appointing the proxy and the power of attorney or other authority (if any) under which the proxy is signed (or a certified copy of it) must be lodged with the Unit Registry, ASX Perpetual Registrars Limited. Proxies must be received not later than 48 hours before the time for holding the meeting.

7.6 Enquiries

If you have any questions about voting or proxy forms please contact ASX Perpetual Registrars Limited on 1800 500 710.

If you have any questions about any other aspects of the Proposal or meeting, please contact the CFS Investor Service Centre on 1300 360 636 (toll free), send an email to CPOFeedback@colonialfirststate.com.au or consult your financial or other professional adviser.

Dated this 30th day of July 2002



JW Walter
Company Secretary
Commonwealth Managed Investments
Limited



COMMONWEALTH PROPERTY OFFICE FUND

INDEPENDENT EXPERT'S REPORT

TABLE OF CONTENTS

1	INTRODUCTION	1
2	SUMMARY AND OPINION	1
3	OUTLINE OF THE PROPOSAL.....	3
4	REPORT REQUIREMENTS	4
5	BASIS OF EVALUATION	4
6	PROFILE OF CPA.....	6
7	PROFILE OF THE CFT TRUSTS ACQUIRED	8
8	VALUATION METHODOLOGIES	11
9	VALUATION OF CFCT.....	15
10	VALUATION OF CFIT	19
11	VALUATION OF CFDT	22
12	VALUATION OF CPA.....	26
13	IS THE PROPOSAL FAIR?	32
14	PRO FORMA STATEMENT OF FINANCIAL POSITION.....	34
15	IS THE PROPOSAL REASONABLE?	35
16	NEW PERFORMANCE FEE.....	44
17	OPINIONS FOR OTHER PROPOSAL STAKEHOLDERS.....	53
18	SOURCES OF INFORMATION	54
19	INDEPENDENCE	54
20	QUALIFICATIONS.....	55
21	DISCLAIMERS AND CONSENTS	55
22	INDEMNITY	56



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17 July 2002

The Directors
Commonwealth Managed Investments Limited
Level 10
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Dear Sirs

INDEPENDENT EXPERT'S REPORT – COMMONWEALTH PROPERTY OFFICE FUND

1 INTRODUCTION

BDO Corporate Finance Pty Limited ("**BDO Corporate Finance**") has been engaged by Commonwealth Managed Investments Limited ("**CMIL**") to prepare an Independent Expert's Report ("**the Report**") to express an opinion as to whether or not the proposed acquisition of all the units in the Colonial First State Commercial Property Trust ("**CFCT**"), the Colonial First State Development Trust ("**CFDT**") and the Colonial First State Industrial Property Trust ("**CFIT**") by Commonwealth Property Office Fund ("**CPA**") ("**the Proposal**") is fair and reasonable to the unitholders of CPA not associated with the Proposal ("**the Unitholders**").

BDO Corporate Finance has also been asked provide an opinion as to whether or not the change in management fee proposed by CMIL, ("**New Performance Fee**"), is fair and reasonable and in the best interests of the Unitholders.

Our Report is to be included in the Explanatory Memorandum to be sent to all unitholders to assist them in deciding whether to accept or reject the Proposal and the New Performance Fee.

2 SUMMARY AND OPINION

2.1 The Proposal

We have considered the terms of the Proposal as outlined in the body of the Report and have concluded that the Proposal is fair and reasonable and in the best interests of the Unitholders.

2.1.1 Fairness

In Section 13 we determined that the consideration paid under the Proposal compares to the value of the CFT Trusts Acquired, as follows.

	Ref	Value \$M	
		Low	High
Value of CFT Trusts Acquired	13.1	910.66	950.46
Consideration Paid	13.1	851.35	895.76

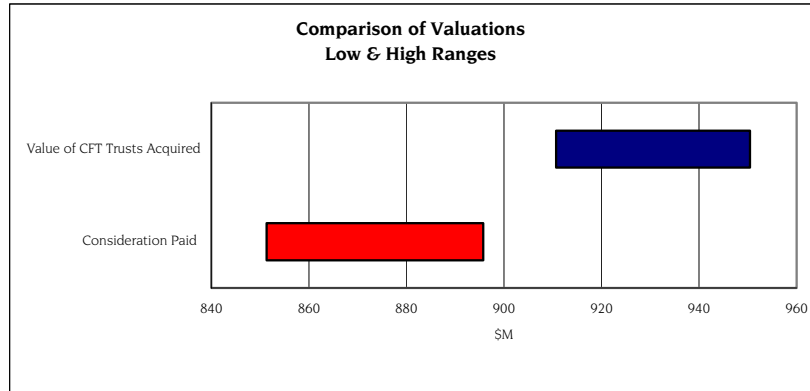
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8. independent expert's report (continued)



The above valuation ranges are graphically presented as follows:



2.1.2 Reasonableness

In accordance with our basis of evaluation in Section 5, we have considered the analysis in Section 15 of the Report, in terms of the advantages and disadvantages of accepting the Proposal.

This analysis is summarised in the following table:

ADVANTAGES AND DISADVANTAGES OF ACCEPTING THE PROPOSAL			
Section	Advantages	Section	Disadvantages
15.1.1	Increase in earnings per unit	15.2.1	Decreased in lease expiry profile
15.1.2	Increase in distribution per unit	15.2.2	Risks associated with acquisition of non-core assets
15.1.3	Increase in NTA per unit	15.2.3	Temporary increase in weighted average capitalisation rates
15.1.4	Low gearing levels maintained	15.2.4	Temporary changes in asset class
15.1.5	Greater geographic diversification	15.2.5	Increase in over-renting position
15.1.6	Decrease in concentration of tenants	15.2.6	Temporary loss of sector specific focus
15.1.7	Enhanced market position		
15.1.8	Potential increase in liquidity of units		
15.1.9	Potential funds for reinvestment and retained earnings strategy		
15.1.10	Increase in tax-deferred component of distributions		
15.1.11	Benefit of off-market purchase process		

2.2 New Performance Fee

In accordance with our basis of evaluation at Section 5.2 we have considered the assessment of the New Performance Fee in Section 16, and have concluded that the proposed New Performance Fee is fair and reasonable and in the best interests of the Unitholders, for the reasons set out in Section 16.8.



3 OUTLINE OF THE PROPOSAL

The key elements of the Proposal are outlined below. The Proposal, as defined for this report does not include the approval of the New Performance Fee. The outline and assessment of the New Performance Fee is included at Section 16 of this Report.

3.1 The responsible entities of CPA and Gandel Retail Trust ("**GAN**") are proposing to acquire all of the units in the four trusts making up the Colonial First State Property Trust Group ("**CFT**").

3.2 For the CPA Unitholders, the Proposal includes the acquisition by CPA of all of the units in each of:

- CFCT;
- CFDT; and
- CFIT.

These are referred to collectively as the "**CFT Trusts Acquired**".

3.3 As consideration for the CFT Trusts Acquired, CPA will issue 1.19 CPA units for each CFT unit held by CFT unitholders. Current units of issue in CFT are 622,135,473. This translates to a total of approximately 740.3 million CPA units being issued.

3.4 At the same time, GAN will acquire all of the units in the Colonial First State Retail Property Trust and will issue GAN units to CFT unitholders.

3.5 If the Proposal is implemented, CPA will effectively acquire control of the following portfolio:

- 10 office properties representing a total value of \$726.0 million, which have been identified as core assets;
- 17 industrial properties with a total value of \$367.1 million, which have been identified as non-core assets; and
- 5 hi-tech industrial office properties located on the North Shore of Sydney, NSW with a total value of approximately \$83.9 million, which have been identified as non-core assets.

3.6 It is CPA's strategy that the non-core assets will be either divested or swapped providing a future source of office property or funds to acquire office property.

Full details of the Proposal are included at Section 1 of the Explanatory Memorandum.



4 REPORT REQUIREMENTS

- 4.1 For the purposes of both the Proposal and the New Performance Fee, an Independent Expert's Report is not required under the Corporations Act or the Australian Stock Exchange ("ASX") Listing Rules.
- 4.2 Notwithstanding the above CMIL has engaged BDO Corporate Finance to prepare an Independent Expert's Report to consider the Proposal and the New Performance Fee, on behalf of Unitholders. These are included within Resolutions One and Two of the Notice of Meeting accompanying the Explanatory Memorandum. No other Resolutions have been considered by BDO Corporate Finance.

5 BASIS OF EVALUATION

5.1 The Proposal

- 5.1.1 In determining whether the Proposal is fair and reasonable, we have had regard to the views expressed by the Australian Securities Investment Commission ("ASIC") in their Policy Statement 74. This Policy Statement suggests that an opinion as to whether transactions are fair and reasonable should entail consideration of all the circumstances of the Proposal.

Such consideration includes a comparison of the likely advantages and disadvantages for unitholders if the Proposal is accepted, with the advantages and disadvantages to those unitholders if it is not.

- 5.1.2 Having regard to the Policy Statement, BDO has completed this comparison in two parts:

- A comparison between the Proposal consideration and the value of the CFT Trusts Acquired (fairness – refer Section 13 "Is the Proposal Fair?"); and
- An investigation into other significant factors to which Unitholders might give consideration, prior to voting on the resolutions, after reference to the value derived above (reasonableness – refer Section 15 "Is the Proposal Reasonable?").

- 5.1.3 In determining whether the Proposal is fair and reasonable the following steps have been completed.

- A valuation of the CFT Trusts Acquired in their current form compared to the amount being paid by CPA as consideration (fairness); and
- An investigation into other significant factors to which Unitholders might give consideration prior to accepting the Proposal. This includes comparing the likely advantages and disadvantages of accepting the Proposal with the likely advantages and disadvantages if the Proposal is rejected (reasonableness).



5.1.4 We have assessed that in all cases the advantages and disadvantages of rejecting the Proposal are the inverse of accepting the Proposal. Thus for simplicity and ease of evaluation of the Proposal we have set out the significant factors in Section 15 only in the context of accepting the Proposal.

5.1.5 Whilst all issues need to be considered before drawing an overall conclusion, to provide structure to our report we have assessed the fairness and reasonableness issues identified in Section 5.1.3 separately.

5.2 New Performance Fee

5.2.1 In determining whether the New Performance Fee is fair and reasonable, we have had regard to the views expressed by the ASIC in their Policy Statement 74 (as set out in Section 5.1). The Policy Statement suggests that an opinion as to whether transactions are fair and reasonable should entail consideration of all the circumstances of the proposal.

Such consideration includes a comparison of the likely advantages and disadvantages for Unitholders if the New Performance Fee is accepted, with the advantages and disadvantages to those Unitholders if it is not.

5.2.2 In determining whether the New Performance Fee is fair and reasonable, we have completed an investigation into significant factors to which unitholders might give consideration prior to accepting the New Performance Fee. This includes:

- Consideration of current fee structures for all comparable commercial listed property trusts;
- An analysis of the existing fee versus the proposed new fee;
- Consideration of comparable performance fees within the listed property trust sector; and
- Comparing the likely advantages and disadvantages of accepting the New Performance Fee.

5.2.3 All of the above issues are considered before drawing our conclusion on the New Performance Fee.



6 PROFILE OF CPA

6.1 History

CPA is a medium sized office sector specific trust that was first listed in April 1999. The trust consists of twelve commercial office properties located in Sydney (CBD and suburban), Melbourne, Canberra, Adelaide and Perth.

CPA has made three acquisitions since listing:

- a 25% interest in 201-207 Kent Street, Sydney;
- 33% interest in 475 Victoria Ave, Chatswood; and
- 3 development sites in West Perth with a combined value of \$70 million on completion.

6.2 Capital Structure

6.2.1 The capital structure of CPA is set out below:

	31 May 2002
Total units on Issue	621,127,194
Top Twenty Unitholders – Units	291,228,286
Top Twenty Unitholders - % of Units on Issue	46.89

Source: Unit Registry Information as at 31 May 2002

6.2.2 The spread of CPA unitholders is set out below:

Range of units Held	No. of Units
1-1,000	135,718
1,001-5,000	14,277,829
5,001-10,000	44,405,903
10,001-100,000	155,537,218
100,001 – Over	406,770,526
TOTAL	621,127,194

Source: Unit Registry Information as at 31 May 2002

6.2.3 The substantial unitholders are detailed below:

Unitholder	Units	% of Voting Power
Westpac Custodian Nominees	50,254,587	8.09
National Nominees	40,973,099	6.60
JP Morgan Nominees	38,192,504	6.15

Source: Unit Registry Information as at 31 May 2002



6.3 Historical Statements of Financial Position

CPA	Audited As at 30 June 2001 \$000	Reviewed As at 31 Dec 2001 \$000
CURRENT ASSETS		
Cash	2,432	3,482
Money market securities	9,217	5,927
Receivables and other assets	2,494	6,886
Distributions receivable from associates	1,197	1,079
Deferred borrowing expenses	272	74
TOTAL CURRENT ASSETS	15,612	17,448
NON-CURRENT ASSETS		
Investment properties	702,201	766,721
Investment in associate	51,035	58,658
Receivables and other assets	1,558	1,496
TOTAL NON-CURRENT ASSETS	754,794	826,875
TOTAL ASSETS	770,406	844,323
CURRENT LIABILITIES		
Payables	7,927	7,404
Distribution payable to unitholders	23,859	25,910
Responsible Entity's fee payable	574	1,070
Interest bearing liabilities	146,000	187,000
TOTAL CURRENT LIABILITIES	178,360	221,384
TOTAL LIABILITIES	178,360	221,384
NET ASSETS	592,046	622,939
EQUITY		
Contributed equity	557,736	577,412
Reserves	34,310	45,527
TOTAL EQUITY	592,046	622,939
NTA per unit	1.04	1.06

Source: Annual Report as at 30 June 2001 and Half Year Report as at 31 December 2001

6.4 Historical Statements of Financial Performance

CPA	Audited Year ended 30 June 2001 \$000	Reviewed Half Year 31 Dec 2001 \$000
Net income	78,956	44,596
Total expense from ordinary activity	33,004	18,686
Net Profit	45,952	25,910
Net increase in asset revaluation reserve	34,310	11,217
Total change in equity	80,262	37,127
Distribution paid or payable	45,952	25,910
Distribution per unit	8.41 cents	4.41 cents

Source: Annual Report year ended 30 June 2001 and Half Year Report to 31 December 2001



7 PROFILE OF THE CFT TRUSTS ACQUIRED

7.1 History

CFT is a large diversified listed property trust. The entity commenced trading on the ASX on 20 December 1999 after unitholders approved the stapling together of the four underlying sector specific trusts. CFT has a portfolio of 40 properties across Australia, with significant presence in NSW. The four sector specific trusts are set out below:

- CFT First State Retail Property Trust;
- CFCT;
- CFIT; and
- CFDT.

As set out in Section 3.2, under the Proposal CPA will acquire CFCT, CFIT and CFDT.

Financial summaries of the CFT Trusts Acquired (does not include CFT First State Retail Property Trust) as they relate to this Proposal are set out below.

7.2 CFCT

The CFCT property portfolio comprises 8 office assets in five states. The portfolio has approximately 180 tenants in around 190,000 square metres of office space.

7.2.1 Historical Statements of Financial Position of CFCT

CFCT	Audited As at 30 June 2001 \$000	Unaudited As at 30 June 2002 \$000
CURRENT ASSETS		
Cash	522	1,448
Receivables	1,304	1,833
Other Assets	613	611
TOTAL CURRENT ASSETS	2,439	3,892
NON CURRENT ASSETS		
Investments	389,857	400,329
TOTAL NON CURRENT ASSETS	389,857	400,329
TOTAL ASSETS	392,296	404,221
CURRENT LIABILITIES		
Creditors and Accruals	3,825	4,082
Distribution Payable	7,772	7,851
TOTAL CURRENT LIABILITIES	11,597	11,933
NON CURRENT LIABILITIES		
Borrowings	60,400	61,919
TOTAL NON CURRENT LIABILITIES	60,400	61,919
TOTAL LIABILITIES	71,997	73,852
NET ASSETS	320,299	330,369
EQUITY		
Units on Issue	326,223	332,821
Reserves	(8,346)	(4,875)
Undistributed Income	2,422	2,423
TOTAL EQUITY	320,299	330,369

Source: CFT Management Accounts



7.2.2 Historical Statements of Financial Performance of CFCT

CFCT	Audited Year Ended 30 June 2001 \$000	Unaudited Year Ended 30 June 2002 \$000
Net income	37,141	36,689
Total expense from ordinary activity	8,442	6,293
Net Profit	28,699	30,396
Transfer from reserves	-	1,059
Total change in equity	28,699	31,455
Distribution paid or payable	28,699	31,455

Source: CFT Management Accounts

7.3 CFIT

The CFIT industrial property portfolio comprises 22 industrial assets in 3 states. The industrial portfolio has approximately 115 tenants in more than 390,000 square metres of warehouse and office space.

7.3.1 Historical Statements of Financial Position of CFIT

CFIT	Audited As at 30 June 2001 \$000	Unaudited As at 30 June 2002 \$000
CURRENT ASSETS		
Cash	1,873	1,544
Receivables	2,757	3,468
Other Assets	2,233	210
TOTAL CURRENT ASSETS	6,863	5,222
NON CURRENT ASSETS		
Investments	458,431	451,006
Other	-	318
TOTAL NON CURRENT ASSETS	458,431	451,324
TOTAL ASSETS	465,294	456,546
CURRENT LIABILITIES		
Creditors and Accruals	3,673	2,751
Distribution Payable	8,946	8,392
TOTAL CURRENT LIABILITIES	12,619	11,143
NON CURRENT LIABILITIES		
Other Liabilities	86,400	67,986
TOTAL NON CURRENT LIABILITIES	86,400	67,986
TOTAL LIABILITIES	99,019	79,129
NET ASSETS	366,275	377,417
EQUITY		
Units on Issue	322,076	329,229
Reserves	42,988	46,977
Undistributed Income	1,211	1,211
TOTAL EQUITY	366,275	377,417

Source: CFT Management Accounts



7.3.2 Historical Statements of Financial Performance of CFIT

CFIT	Audited Year Ended 30 June 2001 \$000	Unaudited Year Ended 30 June 2002 \$000
Net income	42,955	41,693
Total expense from ordinary activity	9,066	7,763
Net Profit	33,889	33,930
Transfer from reserves	-	1,086
Total change in equity	33,889	35,016
Distribution paid or payable	33,889	35,016

Source: CFT Management Accounts

7.4 CFDT

The CFDT property portfolio comprises 2 commercial properties in Sydney CBD.

Although the trust is named a "development" trust, all such development has been completed and the trust is now more accurately defined as a sector and region specific, commercial trust.

7.4.1 Historical Statements of Financial Position of CFDT

CFDT	Audited As at 30 June 2001 \$000	Unaudited As at 30 June 2002 \$000
CURRENT ASSETS		
Cash	486	699
Receivables	5,686	3,626
Other Assets	3,071	118
TOTAL CURRENT ASSETS	9,243	4,443
NON CURRENT ASSETS		
Investments	323,766	325,952
Other	-	2,065
TOTAL NON CURRENT ASSETS	323,766	328,017
TOTAL ASSETS	333,009	332,460
CURRENT LIABILITIES		
Creditors and Accruals	2,909	3,003
Distribution Payable	2,142	1,831
TOTAL CURRENT LIABILITIES	5,051	4,834
NON CURRENT LIABILITIES		
Other Liabilities	163,000	163,750
TOTAL NON CURRENT LIABILITIES	163,000	163,750
TOTAL LIABILITIES	168,051	168,584
NET ASSETS	164,958	163,876
EQUITY		
Units on Issue	140,113	142,088
Reserves	30,541	27,484
Undistributed Income	(5,696)	(5,696)
TOTAL EQUITY	164,958	163,876

Source: CFT Management Accounts



7.4.2 Historical Statements of Financial Performance of CFDT

CFDT	Audited Year Ended 30 June 2001 \$000	Unaudited Year Ended 30 June 2002 \$000
Net Income	21,825	20,548
Total expense from ordinary activity	14,196	13,859
Net Profit	7,629	6,689
Transfer from reserves	-	242
Total change in equity	7,629	6,931
Distribution paid or payable	7,629	6,931

Source: CFT Management Accounts

8 VALUATION METHODOLOGIES

8.1 Methodologies commonly used for valuing assets and businesses are as follows:

8.1.1 Capitalisation of future maintainable earnings ("FME")

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to businesses with relatively steady growth histories and forecast results, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("**EBIT**") or earnings before interest, tax, depreciation and amortisation ("**EBITDA**"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

8.1.2 Discounted future cash flows ("DCF")

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.



8.1.3 Net tangible asset ("NTA") value on a going concern basis

NTA is usually appropriate where the majority of assets consist of cash or passive investments. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Listed property trusts often trade at premiums and discounts to NTA. To recognise this fact, an appropriate premium or discount multiple is applied to NTA, which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

Often the FME and DCF methodologies are used in valuing specific assets forming part of the overall NTA valuation. This is particularly so for the listed property trust sector where investment is in real property.

8.1.4 Yield based approach

Although capital appreciation is important, the income yield that listed property entities generate is another relevant benchmark that is commonly referred to in this sector.

Based on available data, the forecast distribution of an entity is compared to the current volume weighted average ASX price, to determine a percentage yield for that entity.

The percentage yields of listed property entities of similar size and nature, and operating in the same property sector, can then be compared. This comparison allows a range of yields to be determined that may be applicable to the relevant sector of the market.

Once the range of yields is selected, the listed property entity can then be valued by using its forecast distribution level. The valuation derives a range of implied pricing on the ASX, resulting in a range of values per unit, for the relevant entity.

The yield based valuation method is a useful comparison valuation, which can be used as a "cross-check" for any of the valuation methodologies above.

8.1.5 Quoted market price basis

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which securities are traded, recent prices at which securities are bought and sold can be taken as the market value per unit. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a unit displays regular high volume trading, creating a "deep" market in that unit.



8.2 Independent Property Valuations Review

Investment property asset values are based on independent property valuations.

We have had access to the independent property valuations performed for the properties held by both CPA and the CFT Trusts Acquired. We reviewed the valuations performed to confirm that there were no issues or anomalies within the valuations that would materially impact on the value of CPA and the CFT Trusts Acquired or the property investments shown in the Statement of Financial Position of CPA and the CFT Trusts Acquired.

Our review procedures included a general review and assessment of the methodologies and discount and capitalisation rates underlying all valuations, together with a detailed review of selected independent property valuations and their underlying key assumptions, including:

- Property valuation and book value
- Lease expiry profile
- Vacancy and incentive allowances
- Capital expenditure budgets
- Discount rates
- Capitalisation rates
- GST and the possible impacts on future rental income.

The independent property valuations adopted either two or three methodologies (including DCF and FME) all of which are materially consistent to each other.

- The independent property valuations were prepared by a range of reputable independent property valuers.

8. independent expert's report (continued)



We set out a summary of the ranges of discount and capitalisation rates used in the independent property valuations in the table below:

Property Portfolio	Low %	High %
CPA		
Discount Rates	10.00	11.00
Capitalisation Rates	7.00	10.50
CFCT		
Discount Rates	10.25	12.00
Capitalisation Rates	7.90	9.75
CFIT		
Discount Rates	10.50	12.50
Capitalisation Rates	9.00	11.37
CFDT		
Discount Rates	10.00	10.25
Capitalisation Rates	7.00	7.50

Source: Explanatory Memorandum and Property Valuations

Based on the detailed reviews conducted, no issues or anomalies came to our attention during our review which would cause us to believe that the independent valuations were not a reasonable assessment of the properties held by both CPA and the CFT Trusts Acquired.

We have also received confirmations from CPA and CFT that the assumptions underlying independent property valuations reviewed remain applicable at the date of this report.

8.3 Valuation Approach for the CFT Trusts Acquired

The CFT Trusts Acquired consist predominantly of passive property investments and accordingly NTA has been selected as the primary methodology for the valuation of the CFT Trusts Acquired.

Separate valuations have been performed for:

- CFCT;
- CFIT; and
- CFDT

Although the DCF and FME approaches have not been directly used in our valuation of the trusts, these methods have formed the basis of the property valuations that underpin the NTA value derived by us. Accordingly, both DCF and FME have indirectly been applied in the valuations of the CFT Trusts Acquired.



As a supporting valuation for the NTA valuations, we have considered the yield based approach. The quoted market price approach could not be applied due to the Trusts Acquired being listed on the ASX as part of CFT, a stapled security. Therefore there is no separate quoted market price for the individual CFT Trusts Acquired.

8.4 Valuation Approach for CPA

CPA consists predominantly of passive property investments and accordingly NTA has been selected as the primary methodology for the valuation of CPA.

Although the DCF and FME approaches have not been directly used in our valuation of the trusts, these methods have formed the basis of the property valuations that underpin the NTA value derived by us. Accordingly, both DCF and FME have indirectly been applied in the valuation of CPA.

As a supporting valuation for the NTA valuation, we have considered the yield based approach, and the quoted market price of CPA units on the ASX.

9 VALUATION OF CFCT

9.1 Net Tangible Asset Valuation of CFCT

CFCT is a medium sized commercial property trust. To facilitate comparison we have detailed in Section 9.1.1 current NTA multiples for comparable commercial property trusts.

In selecting entities that are similar to CFCT in their underlying nature of property portfolios we first considered all commercial trusts, and then derived a short list of comparable entities, satisfying ourselves in the process that other entities were not comparable.

The following entities, which were included in our short list, were then eliminated from our final selection for the reasons stated:

- James Fielding Group has property investment activities that are not purely passive, and has an internal management structure.
- Investa Property Group was excluded for the same reasons.

9.1.1 Comparable Property Trust Multiples

The NTA balances applied in the table below are from the latest published research from Property Investment Research Pty Limited ("PIR"). The unit prices for all trusts are the 60-day weighted average ASX closing prices to 12 July 2002. For CFCT, the NTA balance applied is based on the unaudited Statement of Financial Position as at 30 June 2002.

8. independent expert's report (continued)



Comparable Property Trusts	NTA ⁽¹⁾ \$M	NTA Per Unit ⁽¹⁾ (\$)	60-day Weighted Average Unit Price (\$)	Price NTA Times
Flexi Property Fund	80.71	1.45	1.19	0.82
Australian Growth Properties Limited	299.48	1.00	0.81	0.81
CFCT ⁽²⁾	330.37	N/a	N/a	N/a
Lend Lease US Office Trust	644.80	1.54	1.55	1.01
CPA ⁽³⁾	668.50	1.08	1.21	1.12
ING Office Fund	868.09	1.10	1.23	1.12
Macquarie Office Trust	897.63	1.15	1.31	1.14
AMP Office Trust	1,062.32	1.22	1.24	1.02
Deutsche Office Trust	1,451.46	1.26	1.31	1.04
BT Office Trust	1,450.30	1.56	1.52	0.97

Source: (1) PIR June 2002 Report (based on 31 May 2002 results).
(2) Statement of Financial Position as at 30 June 2002 per management accounts. Note that as CFCT forms part of the CFT stapled security, no separate ASX prices are available for CFCT.
(3) CPA pro forma statement of financial position at 30 June 2002.

It is important to note that the above NTA multiples are influenced by the following factors:

- The size of the trust and nature of properties and other investments held;
- The tax advantaged component attributable to distributions; and
- The level of gearing in each trust.
- The fact that the NTA's used, although the latest available to the market, may be somewhat dated and may not necessarily reflect the current market value of the underlying properties in question.

On review of the comparable companies, less weighting has been applied to the following trusts due to the reasons stated below:

- Flexi Property Fund is significantly smaller in size than CFCT.
- Australian Growth Properties Limited has a property development focus.
- Lend Lease US Office Trust's properties are located in America.
- AMP Office Trust, Deutsch Office Trust and BT Office Trust are all significantly larger in size than CFCT.

The trusts that have been considered as most relevant to CFCT are still significantly larger, at least twice as large in all cases.

After assessing CFCT's position in relation to these factors and the size and type of property trust sector, we consider that an NTA multiple of between 1.04 and 1.09 times is appropriate.



9.1.2 Independent Property Valuations Review

We reviewed the independent property valuations, as discussed at Section 8.2 to confirm that there were no issues or anomalies within these valuations that would materially impact on the values shown in the Statement of Financial Position of CFCT.

Based on the general and detailed reviews conducted no material issues or anomalies came to our attention during our review which would cause us to believe that the independent valuations were not a reasonable assessment of each of the properties in question.

9.1.3 NTA Valuation

The NTA of CFCT as at 30 June 2002 is \$330.37 million (refer Section 7.2). By applying the NTA multiple range for CFCT of 1.04 to 1.09 times to the NTA of CFCT of \$330.37 million, the following valuation range is derived.

CFCT	Total Trust	
	Low \$M	High \$M
NTA Based Valuation	343.58	360.10

8. independent expert's report (continued)



9.2 Yield Based Valuation of CFCT

To provide a comparison to the NTA valuation in Section 9.1.3 we have also considered the forecast yields of comparable listed commercial trusts.

9.2.1 Comparable Property Trust Yields

The forecast yields of other comparable entities are provided in the table below. We have selected the same entities in this analysis as used in the NTA valuation in Section 9.1.1.

Comparable Property Trusts	NTA ⁽¹⁾ \$M	60 Day Weighted Average Unit Price \$	2003 Forecast DPU ⁽¹⁾ (cents)	2003 Forecast Yield %
Flexi Property Fund	80.71	1.19	10.40	8.74
Australian Growth Properties Limited	299.48	0.81	6.60	8.15
CFCT⁽²⁾	330.37	N/a	N/a	N/a
Lend Lease US Office Trust	644.80	1.55	11.79	7.61
CPA ⁽³⁾	668.50	1.21	9.09	7.51
ING Office Fund	868.09	1.23	10.60	8.62
Macquarie Office Trust	897.63	1.31	11.20	8.55
AMP Office Trust	1,062.32	1.24	9.50	7.66
Deutsche Office Trust	1,451.46	1.31	10.10	7.71
BT Office Trust	1,450.30	1.52	11.20	7.37

Source: (1) PIR June 2002 Report (Based on 31 May 2002 results).
(2) CFCT statement of financial position as at 30 June 2002 per management accounts.
(3) CPA pro forma statement of financial position at 30 June 2002.

Having regard to the size, nature of properties, regions and markets within which each of the above entities operate, we consider that an appropriate range of current trading yields for CFCT is 7.70% to 8.40%

9.2.2 Yield Based Valuation

By taking the above forecast yields and CFT management's forecast distribution of CFCT of \$29.65 million for the year ending 30 June 2003, the following implied value for CFCT is derived:

CFCT	Low \$M	Total Trust High \$M
Yield Based Valuation	352.98	385.06

9.3 Assessment of CFCT Value

The results of the valuations performed are summarised in the table below:

CFCT Valuation	Ref.	Low \$M	Total High \$M
NTA Based Valuation	9.1.3	343.58	360.10
Yield Based Valuation	9.2.2	352.98	385.06
BDO Valuation		343.58	360.10



In assessing the above valuation range which is primarily based on the NTA multiple valuation methodology we have considered the following:

- The NTA multiple valuations range reflects the DCF and FME valuation methodologies used in the underlying independent property valuations, which are recognised as the preferred valuation methodologies; and
- The yield based valuation approach is based on a 1 year forecast period. Therefore it places emphasis on the short term forecast.

10 VALUATION OF CFIT

10.1 Net Tangible Asset Valuation of CFIT

CFIT is a medium sized industrial property trust. To facilitate comparison we have detailed in Section 10.1.1 current NTA multiples for comparable listed industrial property trusts.

In selecting entities that are similar to CFIT in their underlying nature of property portfolios we first considered all industrial trusts, and then derived a short list of comparable entities, satisfying ourselves in the process that other entities were not comparable.

All entities, which were included in our short list have been included in the table in Section 10.1.1 but less weighting was applied to certain trusts where their size is not considered comparable.

10.1.1 Comparable Property Trust Multiples

The NTA balances applied in the table below are from the latest published research from PIR. The unit prices are the 60-day weighted average ASX closing prices to 12 July 2002. For CFIT, the NTA balance applied is based on the statement of financial position as at 30 June 2002.

Comparable Property Trusts	NTA ⁽¹⁾ \$M	NTA Per Unit ⁽¹⁾ (\$)	60-day Weighted Average Unit Price (\$)	Price /NTA Times
Bunning Warehouse	249.73	1.09	1.30	1.19
AMP Industrial	343.56	1.01	1.13	1.12
CFIT⁽²⁾	377.42	N/a	N/a	N/a
Deutsche Industrial	384.89	1.48	1.67	1.13
ING Industrial Fund	824.52	1.45	1.67	1.15
Macquarie Goodman	925.65	1.24	1.46	1.18

Source: (1) PIR June 2002 report (based on 31 May 2002 results).
 (2) Statement of Financial Position as at 30 June 2002 per management accounts.
 Note that as CFIT forms part of the CFT stapled security, no separate ASX prices are available for CFIT.

8. independent expert's report (continued)



It is important to note that the above NTA multiples are influenced by the following factors:

- The size of the trust and nature of properties and other investments held;
- The tax advantaged component attributable to distributions; and
- The level of gearing in each trust.
- The fact that NTA's used, although the latest available to the market, may be somewhat dated and may not necessarily reflect the current market value of the underlying properties in question.

On review of the comparable companies, less weighting has been applied to the following trusts due to the reasons stated:

- ING Industrial Fund and Macquarie Goodman as they are considerably larger than CFIT is size.
- Bunning Warehouse is not a pure industrial portfolio, it also has a retail element.

After assessing CFIT's position in relation to these factors and the size and type of property trust sector, we consider that an NTA multiple of between 1.09 and 1.13 times is appropriate.

10.1.2 Independent Property Valuations Review

We reviewed the independent property valuations, as discussed at Section 8.2 to confirm that there were no issues or anomalies within these valuations that would materially impact on the values shown in the Statement of Financial Position of CFIT.

Based on the general and detailed reviews conducted no material issues or anomalies came to our attention during our review which would cause us to believe that the independent valuations were not a reasonable assessment of each of the properties in question.



10.1.3 NTA Valuation

The NTA of CFIT as at 30 June 2002 is \$377.42 million (refer Section 7.3). By applying the NTA multiple range for CFIT of 1.09 to 1.13 times to the NTA of CFIT of \$377.42 million, the following valuation range is derived.

CFIT	Total Trust	
	Low \$M	High \$M
NTA Based Valuation	411.39	426.48

10.2 Yield Based Valuation of CFIT

To provide a comparison to the NTA valuation in Section 10.1.3 we have also considered the forecast yields of comparable listed industrial trusts.

10.2.1 Comparable Property Trust Yields

The forecast yields of other comparable entities are provided in the table below. We have selected the same entities in this analysis as used in the NTA valuation in Section 10.1.1.

Comparable Entities	NTA ⁽¹⁾ \$M	60 Day Weighted Average Security Price \$	2003 Forecast DPU ⁽¹⁾ (cents)	2003 Forecast Yield %
Bunning Warehouse	249.73	1.30	10.00	7.69
AMP Industrial	343.56	1.13	9.85	8.72
CFIT	377.42	N/A	N/A	N/A
Deutsche Industrial	384.89	1.67	15.31	9.17
ING Industrial Fund	824.52	1.67	13.75	8.23
Macquarie Goodman	925.65	1.46	12.53	8.58

Source: (1) PIR June 2002 report (based on 31 May 2002 results).

(2) Statement of Financial Position as at 30 June 2002 per management accounts.

Having regard to the size, nature of properties, regions and markets within which each of the above entities operate, we consider that an appropriate range of current trading yields for CFIT is 8.6 % to 9.2%.

10.2.2 Yield Based Valuation

By taking that above forecast yields and CFT management's forecast distribution for CFIT of \$33.26 million for the year ending 30 June 2003, the following implied value for CFIT is derived.

CFIT	Total Trust	
	Low \$M	High \$M
Yield Based Valuation	361.52	386.74



10.3 Assessment of CFIT Value

The results of the valuations performed are summarised in the table below:

CFIT Valuation	Ref	Total Trust	
		Low \$M	High \$M
NTA Based Valuation	10.1.3	411.39	426.48
Yield Based Valuation	10.2.2	361.52	386.74
BDO Valuation		411.39	426.48

In assessing the above valuation range which is primarily based on the NTA multiple valuation methodology we have considered the following:

- The NTA multiple valuations range reflects the DCF and FME valuation methodologies used in the underlying independent property valuations, which are recognised as the preferred valuation methodologies; and
- The yield based valuation approach is based on a 1 year forecast period. Therefore it places emphasis on the short term forecast

11 VALUATION OF CFDT

11.1 Net Tangible Asset Valuation of CFDT

CFDT is a small commercial property trust, as the development activity has now been completed and both properties owned by this trust are approaching 100% occupancy levels. To facilitate comparison we have detailed in this Section, current NTA multiples for comparable commercial listed property trusts.

In selecting entities that are similar to CFDT in their underlying nature of property portfolios, we first considered all commercial trusts, and then derived a short list of comparable entities, satisfying ourselves in the process that other entities were not comparable.

The following entities, which were included in our short list, were then eliminated from our final selection for the reasons stated:

- James Fielding Group was eliminated as it has property investment activities that are not purely passive, and has an internal management structure.
- Investa Property Group was also excluded for the same reasons.



11.1.1 Comparable Property Trust Multiples

The NTA balances applied in the table below are from the latest available research from PIR. The unit prices for all trusts are the 60-day weighted average ASX closing prices to 12 July 2002. For CFDT, the NTA balance applied is based on the statement of financial position as at 30 June 2002.

Comparable Property Trusts	NTA ⁽¹⁾ \$M	NTA Per Unit ⁽¹⁾ (\$)	60-day Weighted Average Unit Price (\$)	Price NTA Times
Flexi Property Fund	80.71	1.45	1.19	0.82
CFDT ⁽²⁾	163.88	N/a	N/a	N/a
Australian Growth Properties Limited	299.48	1.00	0.81	0.81
Lend Lease US Office Trust	644.80	1.54	1.55	1.01
CPA ⁽³⁾	668.50	1.08	1.21	1.12
ING Office Fund	868.09	1.10	1.23	1.12
Macquarie Office Trust	897.63	1.15	1.31	1.14
AMP Office Trust	1,062.32	1.22	1.24	1.02
Deutsche Office Trust	1,451.46	1.26	1.31	1.04
BT Office Trust	1,450.30	1.56	1.52	0.97

Source: (1) PIR June 2002 Report (Based on 31 May 2002 results).
 (2) Statement of Financial Position as at 30 June 2002 per management accounts. Note that as CFDT forms part of the CFT stapled security, no separate ASX prices are available for CFDT.
 (3) CPA pro forma statement of financial position at 30 June 2002.

It is important to note that the above NTA multiples are influenced by the following factors:

- The size of the trust and nature of properties and other investments held;
- The tax advantaged component attributable to distributions; and
- The level of gearing in each trust.
- The fact that NTA's used, although the latest available to the market, maybe somewhat dated and may not necessarily reflect the current market value of the underlying properties in question.

On review of the comparable companies, less weighting has been applied to the following trusts due to the reasons stated:

- CPA, ING Industrial Fund, Macquarie Office Trust, AMP Office Trust, Deutsche Office Trust and BT Office Trust are all significantly larger in size than CFDT. Larger commercial trusts have been trading at higher premiums to NTA, than is the case for smaller trusts such as CFDT.
- Lend Lease US Office Trust's properties are located in America.

8. independent expert's report (continued)



After assessing the above factors, we have also had regard to the underlying properties within CFDT. Both properties are now completed commercial properties situated in Sydney's CBD. As such they would be compatible with the assets within CFCT and the majority of other commercial property trusts. For this reason, we have assessed the multiples derived in our valuation of CFCT, being 1.04 to 1.09 as being relevant in determining a range of multiples for CFDT.

Further, both Flexi Property Fund and Australian Growth Properties Ltd have been reported in the market as underperforming in recent periods.

Based on all of the above analysis, we have selected an NTA multiple for CFDT of between 0.95 and 1.00.

11.1.2 Independent Property Valuations Review

We reviewed the valuations, as discussed at Section 8.2, to confirm that there were no issues or anomalies within these valuations that would materially impact on the values shown in the Statement of Financial Position of CFDT.

Based on the general and detailed reviews conducted no material issues or anomalies came to our attention during our review which would cause us to believe that the independent valuations were not a reasonable assessment of each of the properties in question.

11.1.3 NTA Valuation

The NTA of CFDT as at 30 June 2002 is \$163.88 million (refer Section 7.4). By applying the NTA multiple range for CFDT of 0.95 to 1.00 to the NTA, of CFDT of \$163.88 million the following valuation range is derived.

CFDT	Total Trust	
	Low \$M	High \$M
NTA Based Valuation	155.69	163.88



11.2 Yield Based Valuation of CFDT

To provide a comparison to the NTA valuation in Section 11.1.3 we have also considered the forecast yield of comparable listed industrial and commercial trusts.

11.2.1 Comparable Property Trust Yields

The forecast yields of other comparable entities are provided in the table below. We have selected the same entities in this analysis as used in the NTA valuation in Section 11.1.1.

Comparable Property Trusts	NTA ⁽¹⁾ \$M	60 Day Weighted Average Unit Price \$	2003 Forecast DPU ⁽¹⁾ (cents)	2003 Forecast Yield %
Flexi Property Fund	80.71	1.19	10.40	8.74
CFDT⁽²⁾	163.88	N/a	N/a	N/a
Australian Growth Properties Limited	299.48	0.81	6.60	8.15
Lend Lease US Office Trust	644.80	1.55	11.79	7.61
CPA ⁽³⁾	668.50	1.21	9.09	7.51
ING Office Fund	868.09	1.23	10.60	8.62
Macquarie Office Trust	897.63	1.31	11.20	8.55
AMP Office Trust	1,062.32	1.24	9.50	7.66
Deutsche Office Trust	1,451.46	1.31	10.10	7.71
BT Office Trust	1,450.30	1.52	11.20	7.37

Source: (1) PIR June 2002 Report (Based on 31 May 2002 results).
 (2) CFCT statement of financial position as at 30 June 2002 per management accounts.
 (3) CPA pro forma statement of financial position at 30 June 2002.

Having regard to the size, nature of properties, regions and markets within which each of the above entities operate and the yield range selected for CFCT, we consider that an appropriate range of current trading yields for CFDT is 7.5% to 8.3%.

11.2.2 Yield Based Valuation

By taking the above forecast yields and CFT management's forecast distribution for CFDT of \$9.77 million for the year ending 30 June 2003, the following implied value for CFDT is derived.

	Total Trust	
	Low \$M	High \$M
CFDT Yield Based Valuation	117.71	130.27



11.3 Assessment of CFDT Value

The results of the valuations performed are summarised in the table below:

CFDT Valuation	Ref	Total Trust	
		Low \$M	High \$M
NTA Based Valuation	11.1.3	155.69	163.88
Yield Based Valuation	11.2.2	117.71	130.27
BDO Valuation		155.69	163.88

In assessing the above valuation range which is primarily based on the NTA multiple valuation methodology we have considered the following:

- The NTA multiple valuation range reflects the DCF and FME valuation methodologies used in the underlying independent property valuations, which are recognised as the preferred valuation methodologies;
- The yield based valuation approach is based on a 1 year forecast period. Therefore it places emphasis on the short term forecast only; and
- Both properties within CFDT have only recently been redeveloped and released. The property situated at 60 Castlereagh Street (within CFDT) includes amortisation of lease incentives offered to a new tenants in the building. These incentives have reduced the forecast earnings and distribution for CFDT in the 2003 forecast year, which contributes to a lower valuation using the yield based methodology when compared to the NTA methodology.

12 VALUATION OF CPA

12.1 Net Tangible Asset Valuation of CPA

CPA is a medium sized commercial listed property trust. To facilitate comparisons we have detailed in Section 12.1.1 current NTA multiples for comparable listed property trusts.

In selecting entities that are similar to CPA in both their size and the underlying nature of property portfolios we first considered all commercial trusts, and then derived a short list of comparable entities, satisfying ourselves in the process that other entities were not comparable.

The following entities, which were included in our short list, were then eliminated from our final selection for the reasons stated:

- James Fielding Group was eliminated as it has property investment activities that are not purely passive, and has an internal management structure.
- Investa Property Group was also excluded for the same reasons.



12.1.1 Comparable Property Trust Multiples

The NTA balances applied in the table below are from the latest published research from PIR. The unit prices for all trusts, are the 60-day weighted average ASX closing prices to 12 July 2002. For CPA, the NTA balance applied is based on the pro forma Statement of Financial Position at 30 June 2002 prepared by CPA management.

Comparable Property Trusts	NTA ⁽¹⁾ \$M	NTA Per Unit ⁽¹⁾ (\$)	60-day Weighted Average Unit Price (\$)	Price NTA Times
Flexi Property Fund	80.71	1.45	1.19	0.82
Australian Growth Properties Limited	299.48	1.00	0.81	0.81
Lend Lease US Office Trust	644.80	1.54	1.55	1.01
CPA⁽²⁾	668.50	1.08	1.21	1.12
ING Office Fund	868.09	1.10	1.23	1.12
Macquarie Office Trust	897.63	1.15	1.31	1.14
AMP Office Trust	1,062.32	1.22	1.24	1.02
Deutsche Office Trust	1,451.46	1.26	1.31	1.04
BT Office Trust	1,450.30	1.56	1.52	0.97

Source: (1) PIR June 2002 Report (based on 31 May 2002 results)

(2) CPA pre Proposal pro forma Statement of Financial Position at 30 June 2002

It is important to note that the above NTA multiples are influenced by the following factors:

- The size of the trust and nature of properties and other investments held;
- The tax advantaged component attributable to distributions; and
- The level of gearing in each trust.
- The fact that NTA's used, although the latest available to the market, may be somewhat dated and may not necessarily reflect the current market value of the underlying properties in question.

8. independent expert's report (continued)



On review of the comparable companies, less weighting was applied to the following trusts due to the reasons stated:

- Flexi Property Fund is significantly smaller in size than CPA, and has non-premium grade property.
- Australian Growth Properties Limited has historically been a property development company (although its developments have now mostly matured, its focus remains on seeking development opportunities);
- AMP Office Trust, Deutsche Office Trust and BT Office Trust are considerably larger in size than CPA.
- Lend Lease US Office Trust's properties are located in America.

After assessing CPA's position in relation to these factors and the size and type of property trust sector, we consider that an NTA multiple of between 1.07 and 1.12 times is appropriate. This range also takes into consideration the impact of recent speculative trading in CPA based on numerous press reports.

12.1.2 Independent Property Valuations Review

We reviewed the independent property valuations, as discussed at Section 8.2 to confirm that there were no issues or anomalies within these valuations that would materially impact on the values shown in the balance sheet of CPA.

Based on the general and detailed reviews conducted no material issues or anomalies came to our attention during our review which would cause us to believe that the independent valuations were not a reasonable assessment of each of the properties in question.

12.1.3 NTA Valuation

Based on the pro forma Statement of Financial Position as at 30 June 2002 the NTA of CPA is \$668.50 million (as per Explanatory Memorandum). By applying the NTA multiple range for CPA of 1.07 to 1.12 times to the NTA of CPA of \$668.50, the valuation range derived is summarised below (based on 621.13 million units on issue per the Proforma Statement of Financial Position at 30 June 2002):

CPA	Total Trust		Value per Unit	
	Low \$	High \$	Low \$	High \$
CPA NTA Based Valuation	715.30	748.72	1.15	1.21

12.2 Yield based Valuation of CPA

To provide a comparison to the NTA valuation in Section 12.1.3 we have also considered the forecast yield of CPA compared to that of other comparable listed property entities.



12.2.1 Comparable Property Trust Yields

Using the 60 day weighted average market price for CPA (refer Section 12.1.1), the trust was trading on a forecast 2003 financial year yield of 7.51%. The forecast yields of other comparable entities are provided in the table below.

We have selected the same entities in this analysis as used in the NTA valuation in Section 12.1.1.

Comparable Property Trusts	NTA ⁽¹⁾ \$M	60 Day Weighted Average Unit Price \$	2003 Forecast DPU ⁽¹⁾ (cents)	2003 Forecast Yield %
Flexi Property Fund	80.71	1.19	10.40	8.74
Australian Growth Properties Limited	299.48	0.81	6.60	8.15
Lend Lease US Office Trust	644.80	1.55	11.79	7.61
CPA ⁽²⁾	668.50	1.21	9.09	7.51
ING Office Fund	868.09	1.23	10.60	8.62
Macquarie Office Trust	897.63	1.31	11.20	8.55
AMP Office Trust	1,062.32	1.24	9.50	7.66
Deutsche Office Trust	1,451.46	1.31	10.10	7.71
BT Office Trust	1,450.30	1.52	11.20	7.37

Source: (1) PIR June 2002 Report (based 31 May 2002 results)
(2) CPA pro forma Statement of Financial Position at 30 June 2002 and Financial Forecasts to 30 June 2003 (as per Explanatory Memorandum)

Having regard to the size, nature of properties, regions and markets within which each of the above entities operate, we consider that an appropriate range of current trading yields for CPA is 7.60% to 8.00%. This range also takes into consideration the impact of recent speculative trading in CPA based on numerous press reports.

12.2.2 Yield Based Valuation

By taking the above range of forecast yields and the forecast distributions for CPA of 9.09 cents per unit for the year ending 30 June 2003, the following implied value for CPA units is derived.

CPA	Value per Unit	
	Low \$	High \$
Yield Based Valuation	1.14	1.20

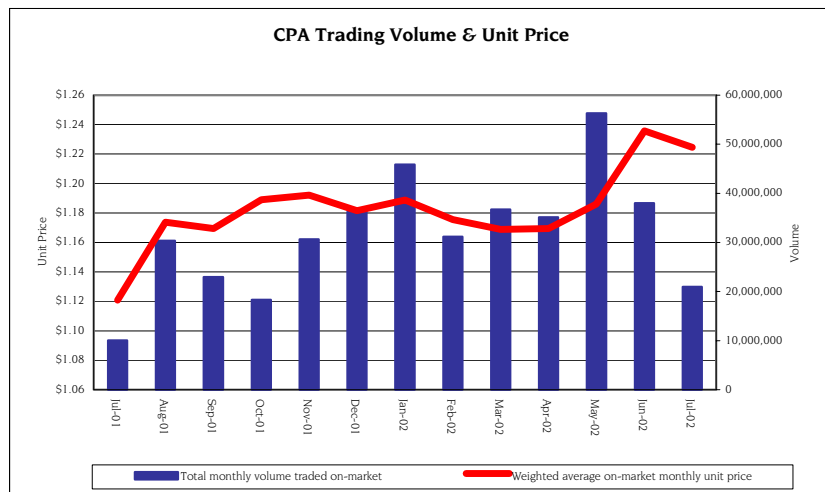


12.3 ASX Market Price Valuation

To provide a further comparison to the valuations of CPA in Sections 12.1 and 12.2, we have also assessed the market price for CPA units.

12.3.1 12 Month Price/Volume History

The following chart provides a summary of the monthly average trading prices and volumes in CPA from 13 July 2001 to 12 July 2002.



The daily price of CPA units from 13 July 2001 to 12 July 2002 has ranged from a high of \$1.27 on 12 June 2002 and 19 June 2002 to a low of \$1.10 on 13 July 2001.

12.3.2 Weighted Average Market Prices

To provide further analysis of the market price for CPA units, we have also considered the weighted average market price for 10, 30 and 60 day periods to 12 July 2002.

CPA	12 July 2002	10 Days	30 Days	60 Days
	\$	\$	\$	\$
Closing Price	1.22			
Weighted Average		1.22	1.23	1.21



12.3.3 ASX Market Price Valuation

Our assessment is that a range of values for CPA units based on market pricing, is tabled below:

CPA	Value per Unit	
	Low \$	High \$
ASX Market Price Valuation	1.21	1.23

12.4 Assessment of CPA Value

The results of the valuations performed above are summarised in the table below:

Valuation	Ref	Value per Unit	
		Low \$	High \$
NTA Based	12.1.3	1.15	1.21
Yield Based	12.2.2	1.14	1.20
ASX Market Price Based	12.3.3	1.21	1.23
BDO Valuation		1.15	1.21

Note: CPA has 621,127,194 units on issue as at 31 May 2002

In assessing the above valuation range which is primarily based on the NTA multiple valuation methodology we have considered the following:

- The NTA multiple valuations range reflects the DCF and FME valuation methodologies used in the underlying independent property valuations, which are recognised as the preferred valuation methodologies; and
- The market price of an individual property trust is subject to volatility, and by applying a sector based multiple to NTA, individual volatility is minimised in the valuation.
- The yield based valuation approach has a short-term focus based on a 1 year forecast period. Therefore it places emphasis on the forecast year ending 30 June 2003
- The ASX market price basis valuation may have been influenced by recent press reports referring to the Proposal which may have lead to speculative trading.

8. independent expert's report (continued)



13 IS THE PROPOSAL FAIR?

13.1 Value of CFT Trusts Acquired and Consideration Paid

The following table summarises our assessment of the value of the CFT Trusts Acquired, under the terms of the Proposal, compared to the consideration to be paid by CPA.

Valuation	Ref	Low \$M	High \$M
Value of CFT Trusts Acquired			
- CFCT	9.3	343.58	360.10
- CFIT	10.3	411.39	426.48
- CFDT	11.3	155.69	163.88
Total Value of CFT Trusts Acquired		910.66	950.46
Value of Consideration offered			
Value of CPA per unit	12.4	\$1.15	\$1.21
Number units issued to CFT Unitholders	3.3	740.30	740.30
Total Consideration		851.35	895.76
Consideration discount for CPA Unitholders		(59.31)	(54.70)
Consideration discount (%)		(6.51%)	(5.76%)

The above pricing indicates the Proposal is fair for CPA Unitholders.

13.1.1 Premium for Control - Comparable Transactions

Investment fundamentals dictate that the value of 100% of a trust is normally greater than the sum of values attributable to the units of that trust based on transactions in minority unitholdings.

The difference between the value of 100% of a trust and the total of the value of minority unitholdings is referred to as a "premium for control". Control of a trust by a unitholder gives that unitholder rights to which minority unitholders are not entitled, including control of trust policy and strategies and use of cash flow of the trust.

While control premiums exist for 100% acquisitions of listed property trusts, historical transactions indicate that the premiums are significantly less than that applying to corporate merger and acquisition activity.

To make an assessment of the control premium that may be applicable for the acquisition for CFT Trusts Acquired, we have had regard to recent takeovers and mergers of listed property trusts.

The comparable transactions are similar to the Proposal in that all transactions had the consent and support of the targets (or their Responsible Entities). Accordingly, they were termed "friendly". The merger currently proposed is also "friendly".



The following table reflects the consideration offered to the target's non-associated unitholders compared to:

- ASX market price of the target trust.
- Independent expert's valuation of the target trust.

Transactions that were hostile in nature and where the bidder was a stapled security with no external manager have been excluded, as such transactions are not considered to be representative of the Proposal at hand.

Target Trusts	Bidder	Transaction Date	Consideration	Premium/(Discount) of consideration ⁽²⁾ to:	
				ASX Market Price of Target ⁽¹⁾	Independent Expert Valuation of Target ⁽³⁾
Homemaker Property Trust	General Property Trust	Oct 2001	Cash	5.5%	(0.3%)
2 Park Street Trust	Macquarie Office Trust and General Property Trust	Nov 2001	Cash	11.4%	2.1%
Darling Park Trust	General Property Trust and AMP Office Trust	May 2000	Cash/Scrip	3.7%	5.5%
BT Office Trust	BT Property Trust	June 2000	Cash/Scrip	7.9%	N/A ⁽⁴⁾
Macquarie Industrial Trust	Macquarie Goodman Industrial Trust	Sept 2000	Scrip	(1.4%)	0.0%
Armstrong Jones Retail Trust	ING Real Estate	Nov 2000	Cash	5.1%	5.7%
CFDT	CFT	Nov 1999	Scrip	12.8%	N/A ⁽⁴⁾
CFCT	CFT	Nov 1999	Scrip	3.8%	N/A ⁽⁴⁾
CFIT	CFT	Nov 1999	Scrip	0.6%	N/A ⁽⁴⁾
CRT	CFT	Nov 1999	Scrip	4.4%	N/A ⁽⁴⁾

Source: Independent Expert Reports and Explanatory Memorandums

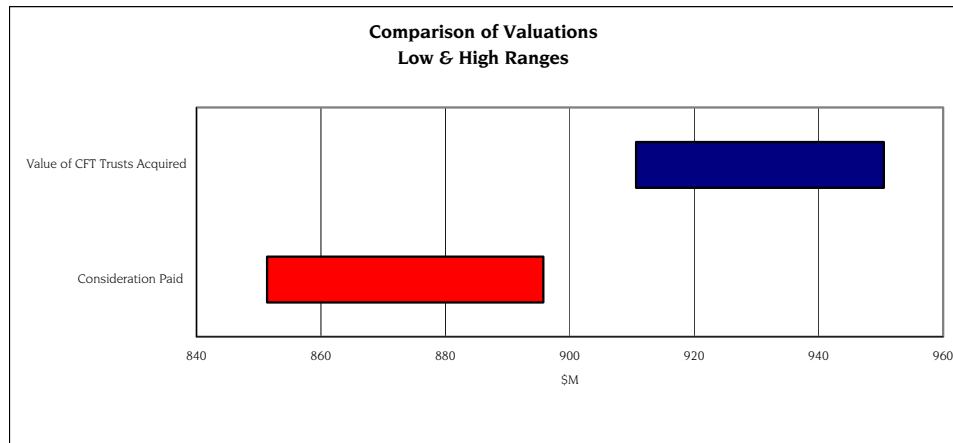
- (1) Based on ASX market prices prior to announcement of the Proposal (midpoint used for weighted average price ranges, over period prior to Proposal).
- (2) Based on the value ascribed to the consideration by the independent expert to the target, where offer included scrip.
- (3) Midpoint used, of Expert's valuation range derived for the target.
- (4) The Independent Expert did not perform a specific valuation of the target.

Based on comparable transactions involving acquisitions in the table above, control premiums have ranged from (1.4%) to 12.80%. CPA is acquiring 100% (therefore total control) of the CFT Trusts Acquired. Based on the table at Section 13.1 there is no premium for control paid for this transaction. This is a benefit to CPA Unitholders.

8. independent expert's report (continued)



The consideration compared to value of assets acquired as detailed in Section 13.1 is graphically presented as follows:



14 PRO FORMA STATEMENT OF FINANCIAL POSITION

14.1 The following is the pro forma Statement of Financial Position (provided to us by CMIL) comparing CPA pre Proposal, then assuming that all transactions within the Proposal are implemented (post Proposal).

	Pre Proposal Pro-Forma 30 June 2002 \$ '000	Pro-Forma (assuming Proposal proceeds) 30 June 2002 \$ '000
ASSETS		
Cash and money market	8,409	10,634
Investment properties securities	865,679	2,042,720
Investment in associates	58,658	58,658
Other Assets	9,535	20,173
TOTAL ASSETS	942,281	2,132,185
LIABILITIES		
Payables and provisions	8,474	31,388
Borrowings	239,395	538,010
Provision for distributions	25,910	44,189
TOTAL LIABILITIES	273,779	613,587
NET ASSETS	668,502	1,518,598
No. of units on issue	621,127	1,361,468
Net Tangible Assets per Unit \$	\$1.08	\$1.12

Source: Explanatory Memorandum

Notes: The table above assumes that all CFT Unitholder's accept the scrip offer



15 IS THE PROPOSAL REASONABLE?

15.1 Advantages of Accepting the Proposal

15.1.1 Increase in Earnings per Unit ("EPU")

The forecast EPU of CPA both pre and post Proposal (as provided by the responsible entity) are detailed in the following tables.

Forecasts for CPA Assuming the Proposal is Rejected (Pre Proposal)

	6 months ending 31 Dec 2002 (\$'000)	6 months ending 30 June 2003 (\$'000)	6 months ending 31 Dec 2003 (\$'000)
Total Net Income	37,924	39,734	39,930
Total Expenses	9,464	10,468	11,972
Net Profit	28,460	29,266	27,958
Retained earnings brought forward	707	997	2,004
Net profit plus retained earnings	29,167	30,263	29,962
Distributions	28,170	28,259	28,532
Retained earnings	997	2,004	1,430
EPU Pre Proposal	4.58 cents	4.71 cents	4.50 cents

Forecasts for CPA Assuming the Proposal is Accepted (Post Proposal)

	6 months ending 31 Dec 2002 (\$'000)	6 months ending 30 June 2003 (\$'000)	6 months ending 31 Dec 2003 (\$'000)
Total Net Income	87,063	89,712	91,131
Total Expenses	22,019	23,305	24,746
Net Profit	65,044	66,407	66,385
Retained earnings brought forward	707	2,858	6,233
Net profit plus retained earnings	65,751	69,265	72,618
Distributions	62,893	63,032	63,586
Retained earnings	2,858	6,233	9,032
EPU Post Proposal	4.78 cents	4.88 cents	4.88 cents

Note: The forecasts of CPA post Proposal assume both the Proposal and New Performance Fee are approved. Full details of the assumptions underlying the forecasts are included in the Explanatory Memorandum.

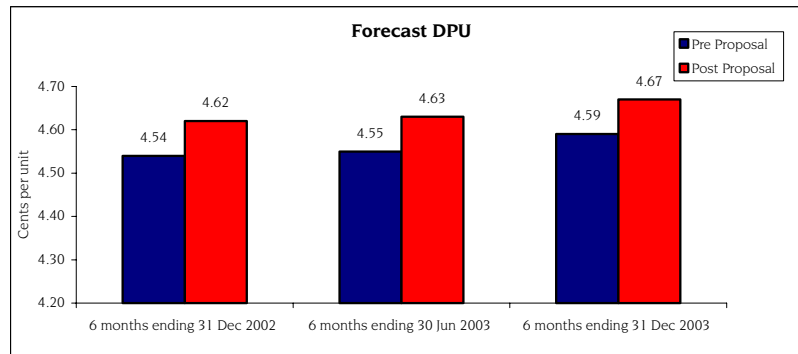
The above forecasts have been independently reviewed by PricewaterhouseCoopers Securities Limited ("PwC"). A copy of a report on their findings is included at Section 9 of the Explanatory Memorandum. We have relied on the work performed and conclusions reached by PwC and have not performed any additional work on the forecasts.

As shown above, if the Proposal is accepted, the forecast earnings of CPA should increase, representing an advantage to Unitholders.



15.1.2 Increase in Distribution Per Unit ("DPU")

The forecast DPU of CPA both pre and post Proposal (as provided by the responsible entity) is summarised below.



As shown above if the Proposal is accepted Unitholders should receive a small increase in DPU over all three periods. This is attributable to cost savings associated with a reduced management fee base component and forecast increased net income from the new combined trust assets.

The increase represents an advantage to Unitholders in the form of greater future income distributions.

Further it is proposed that CPA will retain a portion of earnings from holding the non-core assets, to ensure that distributions are not diluted at the time when these non-core assets are disposed of and replaced with lower yielding office properties. These reserves would otherwise have been distributable (refer Section 15.1.9).

It should be noted that the above forecast increases in DPU assume no performance fee is paid in addition to the base management fee. Should a performance fee be paid this would have a negative impact on the forecast DPU. (Refer Section 16 of this report for details of the New Performance Fee).

15.1.3 Increase in NTA per Unit

As set out in the pro forma Statement of Financial Position in Section 14.1, if the Proposal is accepted, NTA per unit would increase by 3.7% from \$1.08 per unit to \$1.12 per unit.

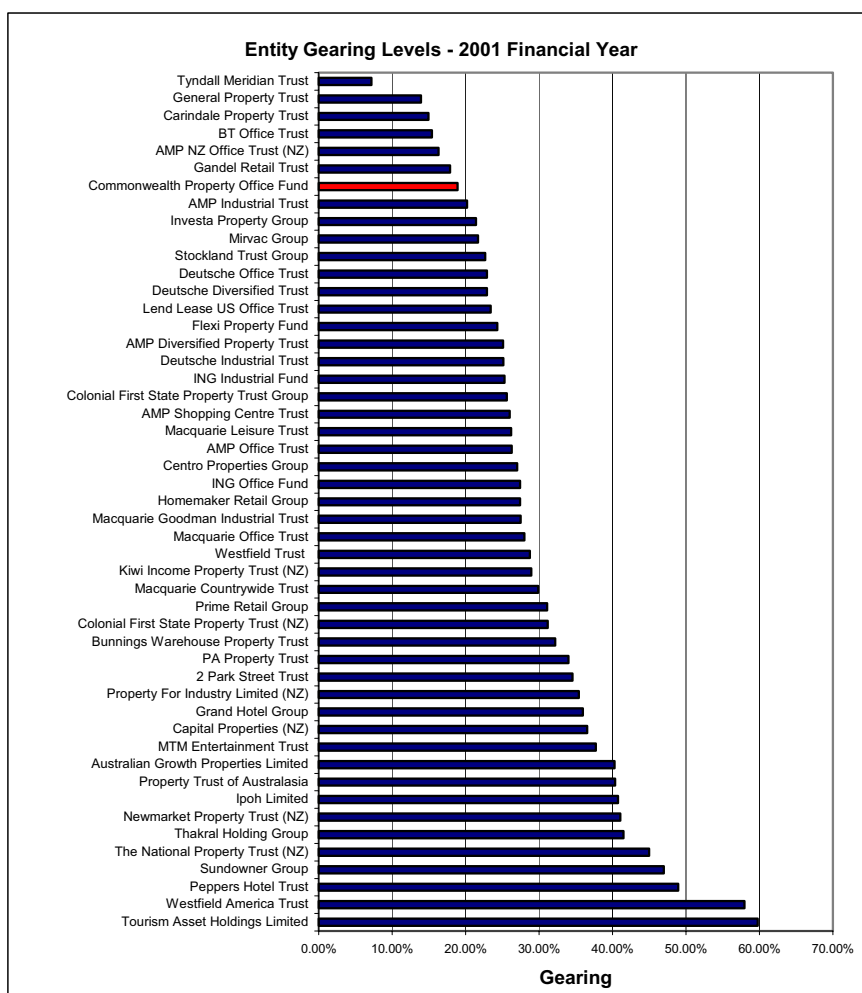
The higher NTA per unit represents an advantage to Unitholders through a stronger balance sheet position for CPA.



15.1.4 Low Gearing Levels Maintained

The pro forma Statement of Financial Position (refer Section 14.1) indicates that the gearing ratio (debt to total assets) of CPA will remain at approximately 25% as at 30 June 2002 if the Proposal is accepted. This is below the listed property trust sector average, currently at 27.0%.

The following chart provides a comparison of gearing at 30 June 2001 for CPA, to all other listed property trusts at that time. This again indicates that CPA was geared at a level well below the average for the sector.

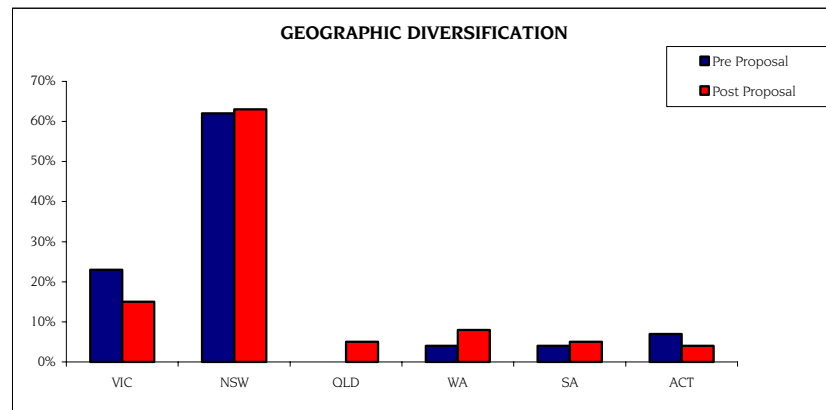


Source: 2002 BDO Listed Property Trust Survey Edition



15.1.5 Greater Geographical Diversification

The following chart indicates the change to the geographical diversification (based on asset value) of the property portfolio of CPA both pre and post Proposal.

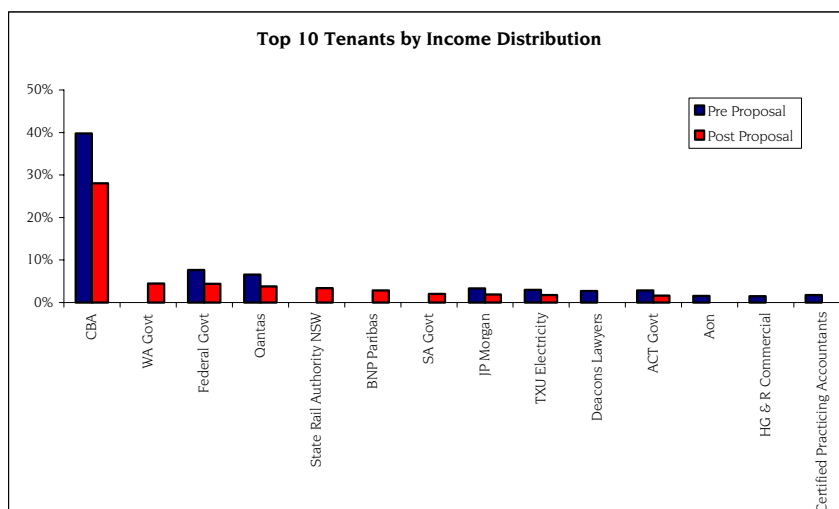


CPA currently has significant exposure to property assets within New South Wales. If the Proposal is accepted CPA would maintain its level of exposure to the New South Wales market. CPA's overall exposure in the Victorian market would however, decrease.

Overall the acceptance of the Proposal will also lead to increased diversification in other states including Queensland, Western Australia and South Australia. This can be viewed as an advantage as CPA unitholders would have increased diversification into a number of geographic locations, with some exposure to the Queensland market.

15.1.6 Decrease in Concentration of Tenants

Currently, the top 10 tenants of CPA contribute 70.6% of the overall trust income. If the Proposal is accepted, this percentage would decrease to 54.1% of total income. This is an advantage to Unitholders as the income stream of the trust is spread over a larger number of tenants, thereby spreading the risk of tenant default over a larger population. This is shown graphically below.



If the Proposal is accepted, the Commonwealth Bank of Australia (being the largest tenant) would make up 28.1% of the income of the new trust compared to 39.8% at present. This is also an advantage to CPA unitholders as a smaller portion of trust income would be contributed by a single tenant.

15.1.7 Enhanced Market Position

If the Proposal is accepted, CPA will be the 7th largest listed property trust and the largest trust in the office sub-sector in Australia. CPA's market capitalisation is forecast by the Responsible Entity to increase from \$758 million (pre Proposal) to \$1.7 billion (post Proposal). CPA's index weighting in the S&P/ASX 200 Property Trust Index is also forecast to increase from 1.7% (pre Proposal) to 3.7% (post Proposal).

Recent merger activity in the listed property trust market has seen an emphasis placed on size, with institutional investment preferring larger trusts.

If the Proposal is accepted the increase in CPA's market capitalisation is seen as an advantage to Unitholders.

15.1.8 Potential Increase in Liquidity of Units

CPA historically has enjoyed a higher than average level of liquidity relative to its trust size and compared to other listed property trusts. CPA was ranked 9th out of 49 entities surveyed in the BDO Listed Property Trust Survey (2002 Edition) in terms of volume of ASX trading compared to size of trust.

The increase in total assets of CPA to \$2.1 billion, if the Proposal is accepted, may bring additional institutional interest in CPA and with this, an increase in the liquidity of CPA units. Such increased liquidity would assist those unitholders in CPA who may wish to sell their units at a later date.



15.1.9 Potential Funds for Reinvestment and Retained Earnings Strategy

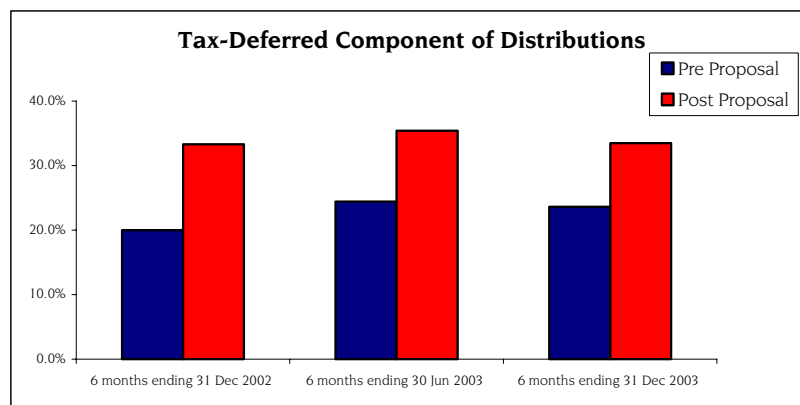
If the Proposal is accepted, CPA will receive a significant injection of capital (assuming outright sale of the HTI office and industrial portfolios) or the opportunity to swap into office assets. In either case CPA will have a future source of office property or funds to acquire office property.

The forecast distributions reflect the full accretive impact of the Proposal with regard to the core assets but only a portion of the earnings accretion from holding the non-core industrial and HTI office portfolios. Part of these additional earnings will be retained, if the Proposal is accepted. The responsible entity has forecast that specifically through this strategy, \$7.6 million will be retained as a reserve at the end of the forecast period (31 December 2003). This will be used to enable CMIL to sell the higher yielding non-core assets and reinvest the sale proceeds into lower yielding office property, without causing dilution to distributions at that time.

This reinvestment is assumed to be completed at an initial yield (net of all acquisition costs) of 7.35%. This reinvestment yield assumption should enable CMIL to reinvest in office properties at a weighted average capitalisation rate below that of the merged portfolio with no dilution to distributions. If this is achievable, the result would be an improvement in the quality of the portfolio and hence, represents an advantage to Unitholders.

15.1.10 Increase in Tax-Deferred Component of Distributions

If the Proposal is accepted, an increased percentage of the distributions to Unitholders will be tax-deferred as shown in the graph below:



This will generally advantage Unitholders as follows:

- A timing benefit with respect to payment of tax is generally obtained on receipt of tax-deferred distributions (until total tax deferred distributions exceeds the cost base of the Units or they are disposed of);



- Unitholders able to benefit from the capital gains tax discount (generally individuals, trusts and complying superannuation funds which have held their Units for at least 12 months) may obtain a permanent tax saving to the extent that the tax-deferred distributions ultimately give rise to capital gains.

15.1.11 Benefit of Off-Market Purchase

Assuming the Proposal is accepted, CPA will effectively have purchased significant properties "off-market". In a tender process, which often occurs in the sale of such properties, there are potential upward pressures in the price of the target property due to the competitive market. CPA would have had the opportunity to effectively obtain the CFT Trusts' properties without such pressures or the need to borrow additional funds to finance the purchase and increase gearing levels.

By acquiring the properties directly CPA would have incurred the following estimated transaction costs:

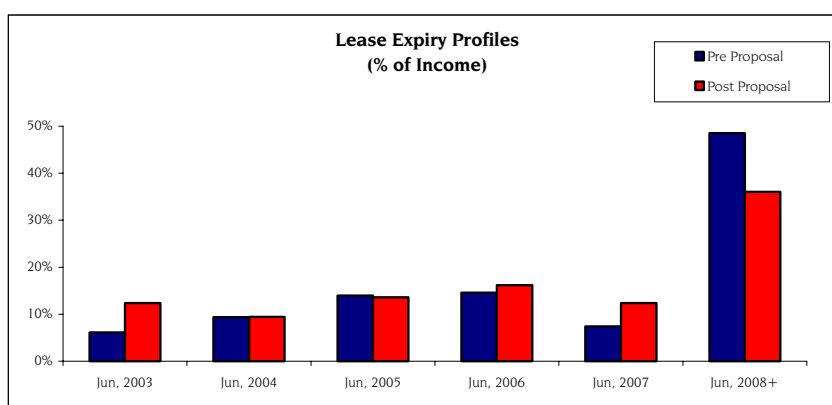
	Low \$M	High \$M
Agency fee's of 1.5% to 2.0% of total property value acquired (\$1,177M)	17.7	23.5

Also, additional stamp duty costs would be incurred by acquiring the properties directly.

15.2 Disadvantages of Accepting the Proposal

15.2.1 Decrease in Lease Expiry Profile

The following chart demonstrates the lease expiry profile of CPA pre and post Proposal:



If the Proposal is accepted, CPA's weighted average lease term to expiry (by income) decreases from 5.2 to 4.8 years (excluding the non-core assets). This remains just under the current listed property trust office sub-sector average of 5.1 years. However, while CPA is holding the non-core assets (awaiting divestment) the weighted average lease term to expiry is 4.4 years (see Section 15.2.2). Forecasts indicate that such non-core assets will be retained by CPA for at least the next 18 months.



This reduction in lease expiry is seen as a disadvantage to Unitholders, as it increases the risk of vacancy in the trust's portfolio.

15.2.2 Risks Associated with Acquisition of Non-Core Assets

There are potential risks associated with the acquisition of the non-core HTI office and industrial assets, including forecasts not being achieved with regard to timing and sale price, shorter lease expiry profile and potential dilution to earnings upon divestment, as detailed hereunder:

- The weighted average lease expiry (by income) of the non-core HTI office and industrial assets is 1.6 years and 3.6 years respectively. These decrease the overall lease expiry profile for CPA post Proposal (see Section 15.2.1).
- If the non-core assets are sold but CMIL is not able to re-invest the proceeds by acquiring suitable office property in an expeditious manner, the proceeds would be used in the interim period to retire debt.

Such a scenario would result in a dilution to CPA earnings as the passing yield on the non-core assets (9.13% average over the Explanatory Memorandum forecast period) is significantly higher than the 6.44% average cost of debt over the forecast period for CPA.

- If the non-core assets are sold but CMIL re-invests the proceeds at a yield below the forecast re-investment yield of 7.35%, there is a further possibility that dilution of the distributions of CPA may occur.
- As discussed at Section 15.1.2, CPA intends to retain a portion of income generated from non-core assets to avoid distribution dilution when these assets are sold. If the non-core assets are sold prior to the end of the forecast period the level of forecast retained earnings available (to counteract the lower yields earned from office properties) will be lower. Therefore, early divestment of non-core assets may lead to a dilution of future DPU.

The Responsible Entity has informed BDO Corporate Finance that it is their intention to sell (or swap for commercial assets) the non-core assets as one parcel, within the present CFIT trust structure. Should this occur then the combined value of all industrial assets within CFIT should be an attractive target within the industrial property market. Such sale in one parcel would also reduce transaction costs associated with the sale of each of the non-core properties on an individual basis. These potential benefits in the sale process for non-core assets assist in mitigating the above risks.

15.2.3 Temporary Increase in Weighted Average Capitalisation Rates

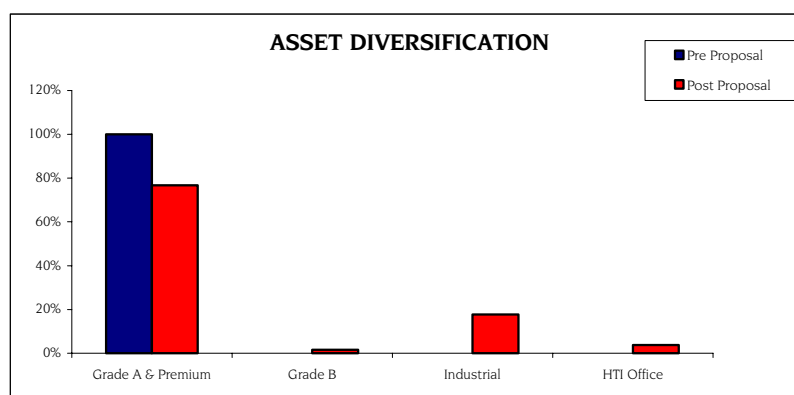
If the Proposal is accepted the weighted average capitalisation rate is expected to increase from 8.21% to 8.43% as a result of acquiring the CFT Trusts Acquired properties (including non-core assets).

This effectively means that if the Proposal is accepted the value of CPA's overall property portfolio value may increase less, for any given increase in net property income, than if it had a lower capitalisation rate. As such, this represents a disadvantage to Unitholders.

However, the post proposal weighted average capitalisation rate (excluding non-core assets) will decrease from 8.21% to 8.10%. Once non-core assets are disposed of Unitholders should benefit from lower capitalisation rates.

15.2.4 Temporary Changes in Asset Class

If the Proposal is accepted, CPA's proportion of Grade A & Premium property will reduce from 100% to 77%. This represents a disadvantage to Unitholders who wish to predominantly invest in Grade A & Premium property. This position would gradually diminish as the non-core assets are sold, after eighteen months.



15.2.5 Increase in Over-renting Position

Currently, some of the properties within the CFT Trusts Acquired are charging above market rents (over-rents). If the Proposal is accepted, CPA's weighted average over-renting position (not including the non-core assets) will increase from 0.1% to 1.4%. Prior to sale of the non-core assets the weighted average over-renting is 2.8%.

This represents a disadvantage to Unitholders as CPA will have to wait a longer period, on average, before it can increase the rent on properties currently being charged above market rates.



15.2.6 Temporary Loss of Sector Specific Focus

If the Proposal is accepted, CPA unitholders will move from an investment solely in office assets to a diversified portfolio for the next 18 months.

This may represent a disadvantage to existing CPA unitholders if they do not wish to diversify their investment holdings into HTI office and industrial property markets.

16 NEW PERFORMANCE FEE

16.1 New Fee Explained

CPA's management fee currently payable to its Responsible Entity is calculated as 0.55% per annum of the gross asset value of CPA. The gross asset value used is that recorded on the last day of the previous month and the fee is payable quarterly in arrears.

It is proposed that CPA commences paying its Responsible Entity in accordance with a performance based fee structure.

16.1.1 The Responsible Entity's Fee Proposal is detailed hereunder:

- Base fee calculated as 0.45% of total assets.
- Performance fee calculated six monthly with reference to the accumulated return of CPA from the merger date, compared to the return of the S&P/ASX 200 Commercial Property Accumulation Index (excluding CPA) ("**the Market Return**"). The Accumulation Index will exclude CPA to ensure a pure comparison with CPA's competitors. This performance fee will be payable in units in CPA.
- The performance fee will be calculated in two tiers. Firstly, the Responsible Entity will be entitled to 5% of the percentage outperformance of CPA, for up to 2% per annum over the performance of the Market Return. Secondly, if CPA outperforms the Market Return by greater than 2% per annum, the Responsible Entity is then entitled to a further 15% of that percentage outperformance.

In each case "percentage outperformance" is equivalent to the accumulated return of CPA over the Market Return.

- Both the Market Return and CPA's own accumulated return index will commence at 100, using the closing prices on the ASX, on 1 July 2002.
- The price at which performance fee units will be issued to the Responsible Entity is the listed issue price, being the 10 day volume weighted average price (with no discount applied) or the NTA per unit, whichever is higher.
- The new fee structure, if implemented, will commence from 1 July 2002.



- The closing period price for calculating CPA's accumulated return is the volume weighted average trading price during the 20 trading days leading up to the closing periods, being 30 June and 31 December each year.
- The payment of the performance fee is subject to the following:
 - i. CPA's return must be positive. If the return is negative, but in excess of the Market Return, the issue of units in respect of the performance fee is deferred until CPA achieves a positive return.
 - ii. Any under performance compared to the Market Return is required to be fully recouped by offsetting against any out performance in future periods, before units will be issued to the Responsible Entity.
- There will be a cap applied to the performance fee, being 0.15% of total assets for any given 6 monthly performance period (ie 0.3% annually). As a result, the Responsible Entity cannot receive a higher level of fee than 0.75% of total assets, over any given performance year. However, any out performance of CPA above this capped level is accrued, carried forward, and taken into account in the calculation of future performance fee payments to the Responsible Entity.

16.2 In assessing the proposed performance fee our analysis has included the following:

- Comparison in Section 16.3 of CPA's management fee to other commercial property trust management fees, including the CPA fee currently in place and the proposed new base fee for CPA (ie excluding performance fee considerations, see below).
- An analysis in Section 16.4 of MER's for CPA at 30 April 2002 as provided by CMIL, indicating changes to the MER under the three possible scenarios:
 - i. The Proposal is not accepted and the New Performance Fee is not accepted.
 - ii. The Proposal is accepted but the New Performance Fee is not accepted.
 - iii. Both the Proposal and New Performance Fee are accepted.

This analysis also excludes any consideration of the performance fee component, see below.

- An analysis in Section 16.5 of the impact of out-performance fees payable by the trust, as such out-performance translates to the issue of further CPA units to the Responsible Entity, via the performance fee.

8. independent expert's report (continued)



- A review in Section 16.6 of the historical management fees paid by the Macquarie Bank Ltd group of listed property trusts. In April 2000 three trusts within this group changed their fee basis to a structure very similar to that which is currently proposed for CPA.

This review compares the actual fees paid by these three trusts over the three years ended 30 June 2001, including performance fee where applicable. The results provide Unitholders with some insight into the extent of management fees paid under such performance fee structures, once implemented.

- A summary in Section 16.7 of the advantages and disadvantages that apply should Unitholders vote for the implementation of the proposed performance fee.

16.3 Comparison to Other Trusts

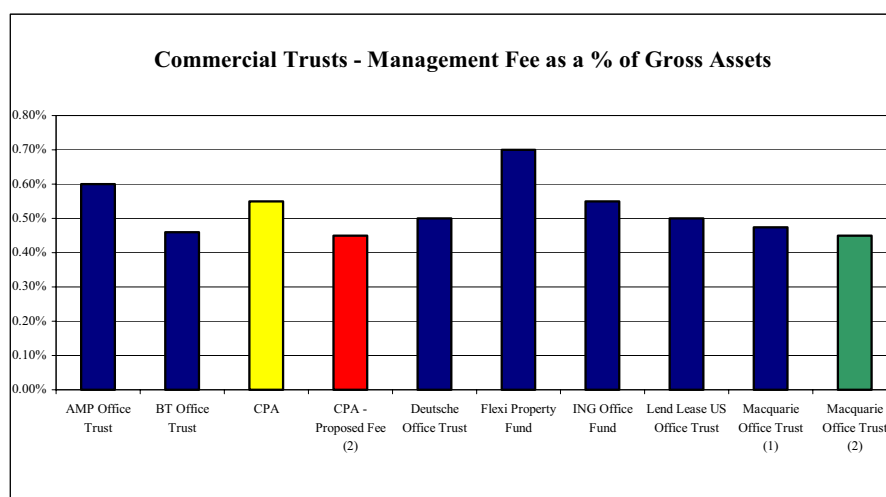
16.3.1 The majority of Australian listed property trusts pay management fees based on a percentage of total assets. Detailed hereunder is a summary of the market capitalisation, total assets and method of calculating the management fees for property trusts in the commercial sub-sector. Both Investa Property Group and Australian Growth Properties Ltd have been excluded as they are a stapled security and company respectively. As such, these entities are not directly comparable to CPA.

Trust	Market Cap. ⁽¹⁾ (\$m)	Total Assets ⁽²⁾ (\$M)	Method of Calculation
AMP Office Trust	1,062.32	1,229.60	Management Fee of 0.60% pa of the Gross Assets of the Trust as at the last day of the proceeding quarter, payable quarterly in arrears.
BT Office Trust	1,450.30	1,752.89	Management fee of 0.64% of the gross assets value of the Trust.
Commonwealth Property Office Fund	622.94	770.41	Fee of 0.55% pa of Gross Asset value of the Fund, calculated and accrued on a monthly basis and payable quarterly in arrears.
Deutsche Office Trust	1,451.96	1,972.33	Fees of 0.50% pa of gross assets of the Trust, payable monthly in arrears.
Flexi Property Fund	86.71	110.22	0.70% of gross assets of the Fund.
ING Office Fund	868.09	1,234.94	0.55% of total assets of the Fund.
Lend Lease US Office Trust	644.80	791.84	Fund and Asset Management Fee 0.5% of the "Assets under Management". Calculated monthly payable six monthly in arrears.
Macquarie Office Trust ⁽³⁾	897.63	1,077.01	<p>Base Fee 0.45% pa of the value of the total assets of the Trust up to \$1.00 billion plus 0.40% pa of the value of the total assets of the Trust over \$1.00 billion.</p> <p>Performance Fee Dependent on comparison to the ASX 200 Commercial Property Trust Accumulation Index. Any outperformance attracts a fee of 5.00% of the additional value created. Outperformance of above 2.00% pa attracts an additional 15.00% of the additional value created.</p>

- Notes:**
- (1) Market Capitalisation per PIR June 2002 Monthly Report
 - (2) Annual Reports for the 2001 financial year of each trust
 - (3) It is proposed that CPA will be paying management fees on a very similar basis, should Unitholders vote for the change in fees.

The above table indicates that the method of calculating the management fee under the New Performance Fee proposal is more closely aligned with the performance of the Trust, compared to the majority of other identified trusts, whose responsible entity's remuneration is based solely on a percentage of gross assets.

The following chart graphically presents the information in the above table. The relevant management fees payable are shown as a percentage of gross assets of each relevant trust, being the method of calculation adopted by each trusts' responsible entity.



Notes: (1) Being actual fee paid during 2001 year over average gross assets
(2) Base fee only excluding performance fee (if applicable)

It can be seen that, excluding the performance component of the New Performance Fee, CPA's proposed base fee percentage is lower than the current level (by 0.1%). This proposed base fee is also lower than the level of fee calculation for all other comparable trusts, other than Macquarie Office Trust.

In reviewing the above it is important to note that the amounts included are simply the percentages included within each trusts' responsible entity agreement. Issues such as timing of acquisition of assets and the calculation of management fees monthly, quarterly or six monthly during a financial year may change the actual fee paid compared to gross assets, in any given year.

Macquarie Office Trust's current fee is very similar to that proposed for CPA. The above graph indicates that both Macquarie Office Trust and CPA incur a base fee of 0.45% of gross assets. (Note however that Macquarie Office Trust's base fee reduces to 0.4%, for total assets over \$1 billion).

16.4 Forecast MER Sensitivity

16.4.1 Post Proposal, there are three scenarios available to CPA:

- The Proposal is not accepted and the New Performance Fee is not accepted.
- The Proposal is accepted but the New Performance Fee is not accepted.
- Both the Proposal and New Performance Fee are accepted.



- 16.4.2** The Responsible Entity has completed an analysis of the MER under each of the above scenarios assuming the relevant transaction/s had occurred for the period under review, which we have summarised hereunder:

Period ended 30 April 2002 (actual)	MER Calculation
Scenario i	0.66%
Scenario ii	0.65%
Scenario iii	0.55%

- 16.4.3** The table in section 16.4.2 indicates that there will be a small saving in MER costs relative to size of the trust if the Proposal is accepted, and the New Performance Fee is not implemented. However a more significant saving occurs if the merger is completed along with implementation of the proposed performance fee structure. The drop from a forecast MER of 0.66% to 0.55% represents a lowering of costs compared to size of trust of 17%, under Scenario iii.

However, it is important to note that the above MER of 0.55%, post new management fee, only includes the base fee component of the new fee. No account has been taken of the potential performance fee component. Should CPA consistently outperform the market then the performance fee may be payable and in this case, the MER may increase.

Section 16.5 provides analysis of the effect that a performance fee may have on CPA.

16.5 Performance Fee Sensitivity

The performance fee, if payable will be satisfied by the issue of units in CPA to the Responsible Entity, not via the payment of cash. However, the performance fee will form part of the Responsible Entity fees. Accordingly, while it is a non-cash expense, the performance fee will reduce the accounting profit available for distribution.

To enable the higher cash balance to be distributed each period the Responsible Entity will make a transfer from Unitholders Funds to the Distribution Account. The amount to be transferred, each period, will be equivalent to the non-cash performance fee that reduced the distributable income in the relevant period.

The effect of the above transfer is that in each period the amount that is available for distribution will be the accounting profit before deduction for the non-cash performance fee, all else being equal.

- 16.5.1** The payment of the performance fee via issue of units rather than cash lessens the impact that such fee would otherwise have on the DPU paid to Unitholders each period, as described above.

However, the increased units on issue resulting from performance fee payment does have a dilutory effect on each Unitholder's DPU, reducing the amount payable per unit.



16.5.2 The Responsible Entity has provided an analysis of the effect the performance fee would have had if implemented in the 6 half years ended 30 June 1999 to 31 December 2001.

The analysis has used the New Performance Fee terms.

Performance Period 6 Months Ending	CPA Accumulated index	Market Return Accumulated Index	Cumulative Outperform Current Period
30 June 1999	1.1	4.8	-3.7
31 December 1999	-0.6	7.1	-7.7
30 June 2000	7.1	15.5	-8.4
31 December 2000	19.5	26.0	-6.5
30 June 2001	39.6	31.7	7.9
31 December 2001	7.7	10.1	-2.4

Source: CMIL

Note: The returns in the above table are based on the closing market prices for each period and not the 20-day volume weighted average prices as per the New Performance Fee terms

16.5.3 In applying the proposed performance fee over this historical period, it can be seen that CPA outperformed the Market Return only in the six months to 30 June 2001. A performance fee would have been payable for that one period in the table above, up to a level of 1.67% of market outperformance. The outperformance over 1.67% for the period ended 30 June 2001 would have been carried forward to the following period. A further performance fee would then have been paid for the 31 December 2001 period, as a result of the carried forward amount.

16.5.4 Unitholders should note that, if the New Performance Fee is accepted, CPA's performance against the Market Return will not be retrospective. CPA's relative performance would be measured from 1 July 2002, not taking into account the accumulated performance as detailed above.

16.6 Comparable Performance Management Fee

In the listed property trust sector, Macquarie Office Trust, Macquarie Countrywide Trust and Macquarie Goodman Industrial Trust are the only trusts currently operating under a fee structure which has a performance fee component. These trusts introduced a performance fee in April 2000, which is almost identical to the proposed CPA performance fee, except for the fact that the Macquarie group's performance fees are not capped.

Detailed hereunder is a summary of actual management fees paid by these three trusts, over the last three financial years. The performance fee structure in each case was implemented in April 2000.

Macquarie Office (MOF)	30 June 1999 \$000	30 June 2000 \$000	30 June 2001 \$000
Base Fee	3,325	3,517	4,223
Performance Fee	-	292	285
Average Gross Assets	556,185	745,189	950,496

Source: Annual Reports for the two years ended 30 June 2001

8. independent expert's report (continued)



Macquarie Goodman (MGI)	30 June 1999 (1) \$000	30 June 2000 (1) \$000	30 June 2001 \$000
Base Fee	1,586	4,110	4,893
Performance Fee	-	-	-
Average Gross Assets	393,672	634,425	897,478

Source: Annual Reports for the two years ended 30 June 2001

Note: (1) In the 2000 financial year Macquarie Industrial Trust merged with Macquarie Goodman Industrial Trust. The closing total assets figure has been used for the respective years due to difficulties in calculating the average Gross Assets for the merged entity prior to 2000.

Macquarie CountryWide (MCW)	30 June 1999 \$000	30 June 2000 \$000	30 June 2001 \$000
Base Fee	2,035	2,318	2,701
Performance Fee	-	2,161	-
Average Gross Assets	379,518	446,734	624,504

Source: Annual Reports for the two years ended 30 June 2001

As can be seen above, the dollar amount of the base fee for all three trusts has increased consistently over the three year period as total assets have grown, where as the payment of a performance fee has only occurred in the minority of cases. Of note is Macquarie Countrywide's performance fee in the 2000 year, where the trust performance was 7.65% compared to the Retail Property Trust Accumulation Index Performance of 3.91%.

If we assume that a cap had applied to the above fees, limiting the performance fee at 0.3% of total assets per annum, as for the CPA fee proposal, then a lower performance fee would have applied.

Such a cap would have reduced the overall management fee in Macquarie Countrywide for the year ended 30 June 2000. Further, in 2001, MCW underperformed by 5.12% (i.e. 7.11% compared to Retail Property Trust Accumulated Index Performance of 12.23%). This underperformance would have eliminated any roll forward performance fee from 2000.

From the above hypothetical analysis it can be seen that the cap being proposed for CPA's management fee has the ability to reduce one-off "spikes" in performance fees in any given period. Performance fees will still be payable under the proposed management fee, but at potentially lower levels. Also roll forward to future periods can be potentially eliminated by underperformance in those future periods.

In contrast to the 2000 year above, it should be noted that the overall management fee paid by MCW in the 2001 year was below market, at 0.43% of total assets. This demonstrates that while the Responsible Entity will benefit (along with Unitholders) if out performance is achieved, Unitholders will get the benefit of lower than market management fees in periods where there is underperformance.



16.7 Other Considerations

16.7.1 Advantages of New CMIL Performance Fee

As a summary of analysis in Sections 16.1 to 16.6, we have identified the following advantages for Unitholders should the proposed performance fee be accepted:

- The Responsible Entity is required to consistently outperform the market in respect of distributions and unit price combined, for the performance fee to be receivable by the Responsible Entity. This will more closely align the Responsible Entity's interests with that of the Unitholders, particularly in respect of focussing decisions of the Responsible Entity on issues that effect the unit price and in turn, total return to Unitholders.
- In the event that CPA does not perform as well as the Market Return, the costs applicable to CPA will be reduced. This reduction in costs is effectively transferred to (and incurred by) the Responsible Entity. Such reduction in costs would translate to an increase in DPU of 0.16 cents per annum.
- The Responsible Entity performance fee for each 6 month period is capped at 0.15% of total assets (which represents outperformance over the Market Return by up to 3.36% per annum, but not exceeding this level). For the Responsible Entity to obtain the roll forward performance fee in next period, CPA must at least track the Market Return. If CPA's performance is lower than Market Return in that next period, then, the performance fee rolled forward is reduced (contingent liability is lower) compared to the fee that would have had to be paid without the cap being in place.
- If CPA outperforms the market but has a negative return, the units are not issued in relation to the performance fee until a positive return is achieved.
- If CPA under performs against the market then such under performance needs to be "earned back" before any future periods' out performance becomes payable in units to the Responsible Entity.
- If the CPA under performs against the market then no performance fee will be incurred for that period. In this instance the management fee payable is calculated using a percentage of gross assets that would be the lowest in the commercial property trust sector, excluding Macquarie Office Trust which has a very similar performance fee structure in place.



- Units are to be issued to the Responsible Entity under the performance fee at the listed issue price being the 10 day volume weighted average price (with no discount) or the NTA per unit level of CPA, whichever is higher. As such, the Responsible Entity will not benefit in a significant downturn in the market, where the unit price may be at a discount to CPA's NTA. This provides further incentive for the Responsible Entity in maintaining the unit price above the NTA per unit of CPA.
- The fact that the Responsible Entity will receive part of their remuneration in the form of equity in CPA rather than cash should provide additional incentive for the Responsible Entity to continue to add value to CPA.
- The performance fee is satisfied by units rather than a cash outflow of the Trust. As a result the impact of the total management fee on DPU's is reduced, notwithstanding the diluting effect of the additional units being issued.

16.7.2 Disadvantages of New Performance Fee

From the foregoing analysis in Sections 16.1 to 16.6 we have identified the following disadvantages for Unitholders:

- If CPA outperforms the market, the performance fee for that period is limited to 0.3% per annum of total assets (which equates to 1.67% outperformance compared to the market for that 6 month period). However, any out performance over 3.36% per annum is rolled into the next period, therefore potentially deferring the payment of the additional performance fee over future performance periods, rather than eliminating it totally.
- The issue of units to the Responsible Entity will dilute the DPU to Unitholders.
- There are no escrow provisions on units issued to the Responsible Entity (other than in specific circumstances as detailed in Section 16.1.1). As such the Responsible Entity is free to dispose of units issued at any time which may effect the unit price due to an increase in the supply of units in CPA on the market. The reliance on consistent unit price and total return of CPA for the Responsible Entity's future performance fee payments should mitigate this risk, as well as the relatively small number of units issued to the Responsible Entity.
- If CPA outperforms the market to a large extent on a consistent basis, a significant performance fee even taking into account the 0.3% per annum of total assets cap may be received by the Responsible Entity. At 0.75% of total assets, the total fee payable by CPA would be above all of its direct competitors (other than MOF). In such circumstances the overall fee payable to the Responsible Entity may be significantly higher than the current fee applying to CPA. Although it can be argued that the proposed fee should provide an incentive for the Responsible Entity to perform, the Responsible Entity has a fiduciary duty to act in the best interests of Unitholders in any event.



- The use of reserves in CPA's balance sheet to allow for a distribution greater than CPA's accounting profit will erode the credit reserve accounts recognised within Unitholders' Equity.

16.8 Conclusion Regarding New Performance Fee

We have considered the terms of the New Performance Fee for CPA and have concluded that, on balance, the proposed fee is fair and reasonable to Unitholders, having particular regard to the following:

- While the total fee may increase if CPA out performs the market consistently, and the increase may be significant, under performance will lead to a drop in the existing management fee to a level significantly below the current level and that of other comparable trusts.
- Payment of a performance fee will only occur where Unitholders are consistently receiving the benefits of a total return that is outperforming the Market Return.
- Due to the payment of the performance fee via issue of units in CPA, its decreasing effect on DPU is lessened.
- Although excluding the performance fee component that may be payable, pro forma MER's over the ten months to 30 April 2002 for CPA indicate a reduction from 0.66% assuming no change, to 0.55%, assuming the Proposal and the new fee were both implemented.
- The cap limits the potential downside for Unitholders in higher management fees.
- The advantages (detailed in Section 16.7.1), in our opinion, outweigh the disadvantages (detailed in Section 16.7.2) of the New Performance Fee.

17 OPINIONS FOR OTHER PROPOSAL STAKEHOLDERS

BDO Corporate Finance has also been engaged to complete separate independent expert reports to the unitholders of GAN and CFT, being the other two listed property trusts forming part of the overall proposal.

Our conclusions reached in those reports are detailed hereunder:

17.1 GAN

"We have considered the terms of the Proposal as outlined in the body of this Report and have concluded that the Proposal is fair and reasonable, and in the best interests of Unitholders."

17.2 CFT

"We have considered the terms of the Proposal as outlined in the body of this Report and have concluded that the Proposal is fair and reasonable and in the best interests of Unitholders."



18 SOURCES OF INFORMATION

- 18.1** Notice of Meeting and Explanatory Memorandum dated July 2002.
- 18.2** Annual reports for the year ended 30 June 2001, and Half Year Report to 31 December 2001 for CPA and CFT.
- 18.3** CFT Management Accounts for the year ended 30 June 2001 and 2002.
- 18.4** Independent property valuations of properties within CPA and CFT.
- 18.5** ASX data for CPA and comparable trusts.
- 18.6** Property Investment Research Pty Limited – Independent Property Trust Review monthly reports and market analysis.
- 18.7** Discussions with Directors and management of the Responsible Entity and its advisors.
- 18.8** BDO Listed Property Trust Survey – 2000 and 2001 Editions.
- 18.9** Forecast information prepared for CPA and CFT both pre and post Proposal.
- 18.10** Other information available in the public domain.

19 INDEPENDENCE

- 19.1** BDO Corporate Finance is entitled to receive a fee for the preparation of this Report and the Reports prepared for the other Proposal stakeholders. Except for this fee, BDO Corporate Finance has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this Report.
- 19.2** Prior to accepting this engagement BDO Corporate Finance considered its independence with respect to CPA and any of their respective associates with reference to the ASIC Practice Note 42 entitled "Independence of Expert's Reports". In BDO Corporate Finance's opinion it is independent of CPA and their respective associates.
- 19.3** Neither the signatories to this Report nor BDO Corporate Finance, hold securities in CPA. No such securities have been held at any time over the last two years.
- 19.4** Neither the signatories to this Report nor BDO Corporate Finance, have had within the past two years any business relationship material to an assessment of BDO Corporate Finance's impartiality with CPA, CFT and GAN or their associates, other than in connection with the preparation of this Report and in the preparation of the Independent Expert's Report for both CFT and GAN.
- 19.5** A draft of this report was provided to CPA and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this Report as a result of this review.



20 QUALIFICATIONS

- 20.1** BDO Corporate Finance is wholly owned by BDO, a member of BDO International, which has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.
- 20.2** BDO Corporate Finance holds an Investment Advisors Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.
- 20.3** The persons specifically involved in preparing and reviewing this Report were Edward Psaltis, Director, and Ralph Goodman, Director, of BDO Corporate Finance. They have significant experience in the preparation of independent expert reports, valuations and the listed property industry within Australia.

21 DISCLAIMERS AND CONSENTS

- 21.1** This report has been prepared at the request of CPA for inclusion in the Explanatory Memorandum which will be sent to all CPA unitholders. CPA engaged BDO Corporate Finance Pty Limited to prepare an independent expert's report to consider the Proposal and New Performance Fee on behalf of the Unitholders.

BDO Corporate Finance hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance.

- 21.2** BDO Corporate Finance takes no responsibility for the contents of the Explanatory Memorandum other than this Report.

BDO Corporate Finance has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of CPA. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

- 21.3** The forecasts provided to BDO Corporate Finance by CPA are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance cannot provide any assurance that the forecasts will be representative of results that will actually be achieved. BDO Corporate Finance disclaims any possible liability in respect of these forecasts.

- 21.4** The responsible entity of CPA has engaged PwC to prepare an Investigating Accountant's Report ("**IAR**") on the financial forecasts. This IAR is included in Section 9 of the Explanatory Memorandum. PwC has acknowledged and given its consent that BDO Corporate Finance is relying on the IAR in the context in which it is included in the Explanatory Memorandum.



- 21.5** With respect to taxation implications, only the implications for residents for Australian tax purposes have been commented upon. It is recommended that Unitholders obtain their own taxation advice in respect of the Proposal, tailored to their own particular circumstances. Furthermore, the comments provided in this report do not constitute legal or taxation advice to Unitholders or any other party.

The taxation implications addressed are based on the Income Tax Assessment Act 1997 (Cth) (as amended) and the Income Tax Assessment Act 1936 (Cth) (as amended) and the established interpretations of those Acts as at the date of this report.

- 21.6** BDO Corporate Finance has also considered and relied upon independent property valuations for properties held by CPA and CFT.

The valuers engaged for the property valuations possess the appropriate qualifications and experience in the property industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuations are appropriate for this report. We have received consents from the valuers for the use of their valuation reports in the preparation of this report.

- 21.7** The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance has no obligation to update this Report for events occurring subsequent to the date of this report.

22 INDEMNITY

- 22.1** BDO Corporate Finance has been indemnified by CPA in respect of any claim arising from BDO Corporate Finance's reliance on information provided by CPA, including the non provision of material information, in relation to the preparation of this Report.

Yours faithfully

BDO CORPORATE FINANCE PTY LIMITED

A handwritten signature in black ink, appearing to read 'E Psaltis'.

EDWARD PSALTIS
Director

A handwritten signature in black ink, appearing to read 'R Goodman'.

RALPH GOODMAN
Director

9. investigating accountant's report



The Directors
Commonwealth Managed Investments Limited
as Responsible Entity of Commonwealth Property Office Fund
Level 10
46 Market Street
SYDNEY NSW 2000

30 July 2002

Dear Sirs

Investigating Accountant's Report on forecast financial information

We have prepared this report on the forecast financial information of Commonwealth Property Office Fund ("CPA") for inclusion in a Explanatory Memorandum dated on or about 30 July 2002 ("the Explanatory Memorandum") relating to the Proposal which includes:

- (a) the acquisition of all the units in each of the Colonial First State Commercial Property Trust, the Colonial First State Development Trust, and the Colonial First State Industrial Property Trust (which hold the office, industrial and HTI office assets of the Colonial First State Property Trust Group ("CFT"))
- (b) the issue to CFT unitholders of 1.19 units in CPA for every CFT unit held.

At the same time, Gandel Retail Trust will acquire all the units in the Colonial First State Retail Property Trust (which holds the retail assets) and will issue to CFT unitholders 0.65 units in GAN for every CFT unit held.

Expressions defined in the Explanatory Memorandum have the same meaning in this report.

The nature of this report is such that it should be given by an entity which holds a dealer's licence under the Corporations Act 2001 (Cth). PricewaterhouseCoopers Securities Ltd is wholly owned by PricewaterhouseCoopers and holds the appropriate dealer's licence.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to prepare an Investigating Accountant's Report ("the Report") covering the following information:

- (a) forecast income and distribution statement of CPA for the six month periods to 31 December 2002, 30 June 2003 and 31 December 2003 assuming the Proposal is not implemented
- (b) forecast income and distribution statement of CPA for the six month periods to 31 December 2002, 30 June 2003 and 31 December 2003 assuming the Proposal is implemented
- (c) forecast tax deferred component of distributions for CPA for the six month periods to 31 December 2002, 30 June 2003 and 31 December 2003 assuming the Proposal is not implemented
- (d) forecast tax deferred component of distributions for CPA for the six month periods to 31 December 2002, 30 June 2003 and 31 December 2003 assuming the Proposal is implemented

**PricewaterhouseCoopers
Securities Ltd
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The Directors

Commonwealth Property Office Fund

- (e) a proforma statement of financial position of CPA as at 30 June 2002 assuming the Proposal is not implemented
- (f) a proforma statement of financial position of CPA as at 30 June 2002 assuming the Proposal is implemented.

(collectively, “the Forecasts”).

The Directors of the Responsible Entity are responsible for the preparation and presentation of the Forecasts, including the best estimate assumptions, which include the pro forma transactions, on which they are based. The Forecasts have been prepared for inclusion in the Explanatory Memorandum. We disclaim any assumption of responsibility for any reliance on this Report or on the Forecasts to which it relates for any purposes other than for which it was prepared.

Our review of the Forecasts was conducted in accordance with Australian Auditing Standard AUS 902 “Review of Financial Reports”. Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary so as to adequately evaluate whether the best estimate assumptions provide a reasonable basis for the Forecasts. These procedures included discussion with the Directors and management of CPA and CFT and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that the best estimate assumptions do not provide a reasonable basis for the preparation of the Forecasts and whether, in all material respects, the Forecasts are properly prepared on the basis of the assumptions and are presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies of CPA disclosed in Section 6 of the Explanatory Memorandum so as to present a view of CPA which is consistent with our understanding of CPA’s past, current and future operations.

The Forecasts have been prepared by the Directors to provide investors with a guide to CPA’s potential future financial performance based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur, and the financial position of CPA as at 30 June 2002 and the financial position of CPA assuming that the Proposal had occurred at that date. There is a considerable degree of subjective judgement involved in the preparation of Forecasts. Accordingly, investors should have regard to the investment risks set out in Section 6 of the Explanatory Memorandum.

Our review is substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Forecasts included in the Explanatory Memorandum.

The Directors
Commonwealth Property Office Fund

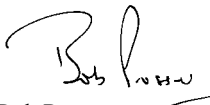
Review statement on the Forecasts

Based on our review of the Forecasts, which is not an audit, nothing has come to our attention which causes us to believe that:

- (a) the best estimate assumptions set out in Section 6 of the Explanatory Memorandum do not provide a reasonable basis for the preparation of the Forecasts
- (b) the Forecasts are not properly prepared on the basis of the best estimate assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by CPA disclosed in Section 6 of the Explanatory Memorandum
- (c) the pro forma statement of financial position has not been properly prepared on the basis of the pro forma transactions, and
- (d) the pro forma transactions do not form a reasonable basis for the pro forma financial information.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of CPA. If events do not occur as assumed, actual results and distributions achieved by CPA may vary significantly from the Forecasts. Accordingly, we do not confirm or guarantee the achievement of the Forecasts, as future events, by their very nature, are not capable of independent substantiation.

Yours faithfully



Bob Prosser
Authorised Representative

10. additional information

10.1 Further information about the Proposal

The Proposal outlined in this explanatory memorandum forms part of a larger commercial arrangement between entities associated with the Colonial First State Property Group and the Gandel Group. Except to the extent previously disclosed, these arrangements have no direct impact on the holders of CPA units and the following information is provided for general information purposes and to provide some context to the overall proposal.

The larger commercial arrangements are as follows. None of these will occur if the Proposal is not implemented.

- CMIL will be appointed responsible entity of the Gandel Retail Trust (GAN).
- All units in CFT will be acquired by CMIL, as responsible entity of CPA (as to those components of CFT which own office, HTI office and industrial assets) and by CMIL as responsible entity of GAN (as to those components of CFT which own retail assets).
- As consideration for the acquisition of CFT units, units in CPA and GAN will be issued to persons whose CFT units are acquired or to a nominee for sale under a bookbuild in the case of offshore CFT unitholders or CFT unitholders who elect to receive their consideration in cash.
- Property management and funds management entities, which will be jointly owned by Colonial First State Property Group and entities connected with the Gandel Group of companies, will be established to conduct the retail property management and development and retail funds management roles respectively in relation to GAN and other trusts managed by Colonial First State Property Group which own retail assets;
- Arrangements will be entered into relating to ongoing ownership and disposition of GAN units held by entities connected with Commonwealth Bank of Australia and entities connected with the Gandel Group of companies; and
- Agreements will be entered into regulating the rights of the owners of the Chadstone and Northland Shopping Centres (each of which is jointly owned by GAN and entities connected with the Gandel Group of companies) including the rights of the owners to dispose of their respective interests.

10.2 CPA new management fee proposal (Resolution 2) – CPA Constitution Clause 10

It is proposed in Resolution 2 that clause 10 of the Constitution of the Commonwealth Property Office Fund be amended by:

- deleting the text that is struck through below;
- inserting the text that is underlined below; and
- renumbering the clauses of the Constitution to conform with the clause numbering following:

10 Remuneration of Trustee

10.1 Trustee's remuneration

(a) ~~The Trustee is entitled to receive out of the Assets of the Trust a Base Fee and a Performance Fee, fee calculated at the rate of 0.55% per annum of Gross Asset Value of the Trust.~~

(b) ~~The Trustee's fee is calculated and accrued on a monthly basis on the last day of each month and is payable in arrears on a quarterly basis.~~

Base Fee is:

(1) calculated at the rate of 0.45% per annum of the Gross Asset Value of the Trust;

(2) calculated and accrued on a monthly basis on the last day of each month;

(3) payable in arrears on a quarterly basis.

(c) The Performance Fee is calculated at the end of each Performance Fee Period in accordance with clause 10.7 and accrued on that date.

The Performance Fee is payable within 2 months of the last day of each Performance Fee Period by way of an issue of Units in accordance with clause 10.7(c) or, where a Trigger Event has occurred, in accordance with clause 10.7(d).

10.2 Waiver of remuneration

To the maximum extent permitted by law, the Trustee may waive the whole or any part of the remuneration to which it would otherwise be entitled.

10.3 Priority of Trustee's remuneration

The remuneration of the Trustee has priority over the payment of all other amounts payable from the Assets of the Trust.

10.4 Indemnity

In addition to any other right of indemnity which it may have under this deed or at law, the Trustee is indemnified and entitled to be reimbursed out of or have paid from the Assets for all Costs incurred in the performance of its duties or the exercise of its powers, the course of its office or in relation to the administration or management of the Trust.

10.5 Proper performance of duties

The rights of the Trustee to be paid fees out of the Assets of the Trust, or to be indemnified out of the Assets of the Trust for liabilities or expenses incurred in relation to the performance of its duties, are available only in relation to the proper performance of those duties.

10.6 Reimbursement of GST

If a goods and services tax or similar value added tax (GST) is levied or imposed on or in respect of any supply made under or in connection with this deed, the recipient of that supply must pay to the supplier (or, the representative member if the supplier is a member of a GST group), in addition to any consideration provided for under the Trust Deed such amount as is necessary to ensure that the supplier (after payment of any GST which is imposed or levied in respect of the supply) is in the same financial position it would have been in had the GST not been imposed or levied.

10. additional information (continued)

10.7 Performance Fee

(a) Subject to clause 10.7(b), the Performance Fee is calculated in accordance with the following formula:

$$PF = ((0.05 \times P_1) + (0.15 \times P_2)) \times GAV$$

where:

PF is the Performance Fee for the Performance Fee Period;

GAV is the average Gross Asset Value of the Trust during the Performance Fee Period;

For the Performance Fee Period ending 31 December 2002, P_1 is calculated in accordance with the following formula:

$$P_1 = \begin{cases} \left(\frac{T_1 - T_0}{T_0} - \frac{B_1 - B_0}{B_0} \right) & \text{if this amount is positive and less than or equal to 0.01} \\ 0.01 & \text{if } \left(\frac{T_1 - T_0}{T_0} - \frac{B_1 - B_0}{B_0} \right) \text{ is greater than 0.01} \\ 0 & \text{otherwise} \end{cases} ;$$

In each subsequent Performance Fee Period, P_1 is calculated in accordance with the following formula:

$$P_1 = \begin{cases} \left(\frac{T_1 - T_0}{T_0} - \frac{B_1 - B_0}{B_0} + A_{t-1} \right) & \text{if this amount is positive and less than or equal to 0.01} \\ 0.01 & \text{if } \left(\frac{T_1 - T_0}{T_0} - \frac{B_1 - B_0}{B_0} + A_{t-1} \right) \text{ is greater than 0.01} \\ 0 & \text{otherwise} \end{cases} ;$$

For the First Performance Fee Period ending 31 December 2002, P_2 is calculated in accordance with the following formula:

In each subsequent Performance Fee Period, P_2 is calculated in accordance with the following formula:

$$P_2 = \begin{cases} \left(\frac{T_1 - T_0}{T_0} - \frac{B_1 - B_0}{B_0} + A_{t-1} - 0.01 \right) & \text{if this amount is positive} \\ 0 & \text{otherwise} \end{cases}$$

where:

T_1 is the Trust Index at the end of the Performance Fee Period;

T_0 is the Trust Index at the end of the most recent previous Performance Fee Period for which PF was not zero. For the First Performance Fee Period ending 31 December 2002, T_0 commences at 100;

B_1 is the Benchmark Index at the end of the Performance Fee Period;

B_0 is the Benchmark Index at the end of the most recent previous Performance Fee Period for which PF was not zero. For the First Performance Fee Period ending 31 December 2002, B_0 commences at 100; and

A_{t-1} is the value of A_t as calculated in the previous Performance Fee Period in accordance with clause 10.7(b).

Where, for any Performance Fee Period, PF would be greater than $(0.0015 \times GAV)$ then, the Performance Fee Period for this period will equal $(0.0015 \times GAV)$.

(b) For the First Performance Fee Period ending 31 December 2002, A_t is calculated in accordance with the following formula:

$$A_t = \begin{cases} \left(\frac{T_1 - T_0}{T_0} - \frac{B_1 - B_0}{B_0} - 1.2\% \right) & \text{if this amount is positive} \\ 0 & \text{otherwise} \end{cases}$$

In each subsequent Performance Fee Period, A_t is calculated in accordance with the following formula:

$$A_t = \begin{cases} \left(\frac{T_1 - T_0}{T_0} - \frac{B_1 - B_0}{B_0} - 1.2\% + A_{t-1} \right) & \text{if this amount is positive} \\ 0 & \text{otherwise} \end{cases}$$

where:

T_1 is the Trust Index at the end of the Performance Fee Period;

T_0 is the Trust Index at the end of the most recent previous Performance Fee Period for which PF was not zero. For the First Performance Fee Period ending 31 December 2002, T_0 commences at 100;

B_1 is the Benchmark Index at the end of the Performance Fee Period;

B_0 is the Benchmark Index at the end of the most recent previous Performance Fee Period for which PF was not zero. For the First Performance Fee Period ending 31 December 2002, B_0 commences at 100; and

A_{t-1} is the value of A_t as calculated in the previous Performance Fee Period

(c) Where:

(1) A Performance Fee is payable for a particular Performance Fee Period;

and

(2) $T_1 - T_0$ as those terms are defined in clause 10.7(a) is negative,

the Fee payable to the Manager will be accrued in that Performance Fee Period and paid in the next Performance Fee Period in which T_1 exceeds T_0 .

(d) Where no Trigger Event has occurred in a Performance Fee Period, the Performance Fee for that Performance Fee Period must be applied as application monies for an issue of Units to the Trustee or its nominee at an issue price equal to the greater of:

(1) weighted average traded price for a Unit for all sales on ASX for the period of 10 Business Days immediately following the Business Day that is the record date for determining entitlements to income for the Distribution Period that coincides with the Performance Fee Period in relation to which Units are to be issued (whether or not a sale is recorded on any particular day); and

(2) the net tangible asset backing per Unit on the final day of the Performance Fee Period, which is equal to the Total Tangible Assets, less the following:

(A) all amounts required to repay borrowings and to meet Liabilities (including the amount of any provisions the Trustee determines, in consultation with the Auditor, should be made);

(B) following any Distribution Calculation Date, the amount of any Distributable Amount payable but not paid to Unit Holders on the final day of the Performance Fee Period; and

(C) any amount paid in advance of a call on a Partly Paid Unit, divided by the number of Units on Issue.

(e) Where a Trigger Event has occurred in a Performance Fee Period, the Performance Fee for that Performance Fee Period is payable in cash to the Trustee or its nominee.

10. additional information (continued)

10.8 Definitions

In this clause 10,

Base Fee means the fee calculated in accordance with clause 10.1(b);

Benchmark Index means the accumulation index utilising the securities included in the S&P ASX 200 Commercial Accumulation Index, excluding the Trust, as calculated by S&P Index Services, or other comparable index as selected by the Trustee from time to time using closing price series data except for the closing price at the end of the Performance Fee Period which shall be replaced by the weighted average trading price for all sales on ASX for the period of 20 Business Days ending on the final day of the Performance Fee Period. This closing VWAP value will be adopted as the opening value for the following Performance Fee period. The Benchmark Index for the First Performance Fee Period will commence at 100 using the closing prices on the ASX on 1 July 2002.

Performance Fee means the fee calculated in accordance with clause 10.7;

Performance Fee Period means the 6 month period ending each 30 June and 31 December;

Trigger Event means any of the following:

(a) a resolution being passed at a Meeting removing or replacing the Trustee without the recommendation of the existing Trustee;

(b) the termination of the Trust pursuant to clause 16;

(c) the Trust ceasing to be Officially Listed;

(d) the Units being subject of a takeover bid which achieves the threshold for compulsory acquisition under Chapter 6A of the Corporations Act;

(e) Unit Holders approving a formal or informal scheme of arrangement whereby:

(1) the Trust is to merge with another entity; or

(2) there is a material change in the ownership or control of the Trust; and

Trust Index means the accumulation index for the Trust as calculated by S&P Index Services, except for the closing price at the end of the Performance Fee Period which shall be replaced by the weighted average trading price (VWAP) for the Trust for the period of 20 Business Days ending on the final day of the Performance Fee Period. This closing VWAP value will be adopted as the opening value for the following Performance Fee period. The Trust Index for the First Performance Fee Period will commence at 100 using the closing prices for the Trust on the ASX on 1 July 2002.

If Resolution 2 is passed by Unitholders, the CPA Constitution will be amended to allow for the implementation of a new management fee structure. This new structure better aligns the interests of CMIL with CPA Unitholders. This is in line with industry best practice standards and the wholesale property products managed by the Colonial First State Property Group.

A change to the responsible entity fee structure can only be introduced by a special resolution of members.

Currently CMIL is paid a management fee of 0.55% per annum of gross assets out of the assets of CPA. The new management fee will result in a base fee of 0.45% per annum, which is below the sector average, and a performance component which is only paid to CMIL if the total return for CPA is greater than total return for the benchmark.

The performance fee will be capped at 0.30% (0.15% per six months) per annum of gross assets for any period with any outperformance above this being carried forward to the next period.

Importantly, the measurement of outperformance will be assessed on a cumulative basis, meaning that any underperformance is carried forward and needs to be 'earned back' before CMIL is entitled to performance fees.

The table below contains the significant terms and conditions of the new proposed management fee.

Proposed new fee structure

Proposed date of introduction of performance fee		1 July 2002
Proposed base fee (% of gross assets)	0.45%	per annum
Proposed performance fee		
Tier 1	5%	For first 2% per annum of outperformance
Tier 2	15%	For outperformance in excess of 2% per annum
Performance period	6 months	
Cap (% of gross assets)	0.30%	per annum
Outperformance roll over		Any outperformance that results in a performance fee above the cap is carried over
Underperformance roll over		Any cumulative underperformance must be 'earned back' before performance fee can be paid
Payment of fee		The fee will be paid in units issued to CMIL at the 10-day VWAP post the record date for CPA distributions
Closing period price for calculating Trust accumulation		Volume Weighted Average Trading Price during the 20 business days leading up to the closing period being 30 June, 31 December
Benchmark index		S&P/ASX 200 Commercial Property Accumulation Index (excluding CPA)
Total saving in base fee	0.10%	per annum (excluding any performance fee entitlements)
Forecast increase in DPU as a result of new fee structure	0.16	cents per annum (assuming no performance fee paid)

10.3 CPA Constitution – Clause 5.6(a) (Resolution 4)

If Resolution 4 is passed, clause 5.6(a) of the Constitution will be amended by:

- inserting the text that is underlined below:

The Trustee may issue Units or Options (including Units on the exercise of an Option) at an Issue Price determined by the Trustee, being a price other than the Issue Price calculated in accordance with clauses 5.2 and 5.5, in the following cases:

(a) Units while the Trust is included in the Official List or listed on an approved foreign exchange as defined in sub-regulation 1.2A.02(2) of the Corporations Regulations and the Units or, if the Units to be issued are in a class of Units, Units of that class, have not been suspended from Official Quotation provided that:

(1) the issue is not to the Trustee or any person associated with the Trustee; and

(2) if either

(A) the issue (together with any other issue of Units up to one year previously, at a price determined by the Trustee, other than an issue approved or ratified by Holders or an issue pursuant to clauses 5.6(b), 5.6(c), 5.6(d) or 5.6(e)) of Units that would, immediately after the issue, comprise more than 10% of either all of the Units in the Trust or the Units on issue in the Trust in the same class as the Units comprised in the issue; or

(B) the amount by which the Issue Price is less than the Listed Issue Price for the Units (if applicable, of that class) exceeds 10%, then the following requirements are also satisfied:

(C) the Holders approve the issue;

(D) if the Units to be issued are in a particular class, Holders in that class approve the issue;

(E) unless the Trustee reasonably considers that the issue will not adversely affect the interests of Holders in another class, Holders in that other class approve the issue;

(F) any notice convening a Meeting to vote on the issue contains particulars of the use to be made of the money raised by the issue;

(G) an approval for the purposes of clauses 5.6(a)(2)(C) to (H) is given by separate resolution of the Holders where Holders with at least 25% of the total value of all the Units of Holders entitled to vote on the question vote on the question at the Meeting; and

(H) if in making the calculations referred to in clause 5.6(a)(2)(G) any vote of a person to whom the interests are to be issued or any vote of any associate of that person were not counted, the resolutions would be passed.

11. glossary

Announcement Date	30 July 2002.
ASIC	Australian Securities & Investments Commission.
ASX	Australian Stock Exchange Limited or, as the context requires, the market operated by it.
Bookbuild	A sale mechanism to be conducted by UBSW for the purposes of selling CPA and GAN units to which CFT unitholders who make a cash election or who have an address outside Australia would otherwise be entitled.
Business Day	A day on which trading of securities occurs on the ASX.
Colonial First State Property Group	The business unit of the Commonwealth Bank of Australia which performs all necessary functions in relation to corporate real estate and property funds management.
CFT	Colonial First State Property Trust Group.
Class Order	ASIC Class Order 98/52.
CMIL	Commonwealth Managed Investments Limited ABN 33 084 098 180 in its capacity as responsible entity of CPA.
Constitution of CPA	The constitution of the Commonwealth Property Office Fund dated 22 January 1999.
CPA	Commonwealth Property Office Fund (ARSN 086 029 736).
CPA Unitholder or Unitholder	A holder of a unit in CPA.
CPU/cpu	Cents per unit.
DPU/dpu	Distributions per unit.
DRP	Distribution reinvestment plan.
EPU/epu	Earnings per unit.
GAN	Gandel Retail Trust (ARSN 090 150 280).
HTI office	HTI office refers to modern and flexible space that is able to accommodate research and development/laboratory-type uses. Properties in this sector generally have a minimum office component of 50% and are typically located in specialised precincts such as Sydney's North Ryde.
Independent Expert	BDO Corporate Finance Pty Limited.
Investigating Accountant	PricewaterhouseCoopers Securities Ltd.
LPT	Listed property trust.
Listed Issue Price	The Listed Issue Price for a unit on any Business Day is: <ol style="list-style-type: none">(1) the weighted average traded price for a unit for all sales on ASX for the period of 10 Business Days immediately preceding the relevant Business Day (whether or not a sale was recorded on any particular day); or(2) if the Trustee believes that the calculation in paragraph (1) does not provide a fair reflection of the market price of a unit, an amount as determined by an Approved Valuer, as being the fair market price of the unit.
Meeting Date	3 September 2002.
Meeting of Unitholders	The meeting of CPA Unitholders to be held on the Meeting Date.
NLA	Net lettable area.
NTA	The net tangible asset backing of units.
Proposal	The proposal described in Section 1.
Resolutions	The resolutions being put to Unitholders in connection with the Proposal, as set out in the Notice of Meeting of CPA.
UBSW	UBS Warburg Australia Limited.
Unit Registry	ASX Perpetual Registrars Limited.

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Directors of the Responsible Entity

MJ Ullmer (Chairman)
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